

Socialists Maintain Informal Manner As Power Passes in Paris Ceremonies

By Joseph Fitchett
International Herald Tribune

PARIS — In a day charged with political symbolism, the installation ceremonies Thursday for President Francois Mitterrand in the Elysee Palace marked the moment when French Socialists returned to power after a generation in opposition.

"I haven't set foot here since 1953," said a Mitterrand aide, re-

turning to the days when Vincent Auriol, a Socialist, was head of state. Since then, the aide has declined the rare invitations to functions at the Elysee, the palace near the Champs-Elysees that houses the French presidency.

Under former President Valery Giscard d'Estaing, the Elysee was run with stylish protocol that critics labeled monarchical. The Socialists, while often sounding slightly

dazed at finding themselves in surroundings identified with the political enemy Thursday, made a point of maintaining their informal manner and businesslike dress — in contrast to the emphasis on elegance under recent French governments.

Mr. Mitterrand last called at the Elysee three years ago when Mr. Giscard d'Estaing invited him for a chat that was part of a short-lived attempt to drain some asperity from French party rivalries.

This time the Socialists issued the invitations — French high officials and politicians whose presence was dictated by protocol, local representatives from Mr. Mitterrand's electoral district and other fellow Socialists and their wives. On Mr. Mitterrand's personal guest list there were no members of the defeated president's camp — nor any Communists, despite the party's electoral support.

As he moved along a U-shaped line accepting congratulations, President Mitterrand paused deliberately in front of the last guest — Pierre Mendes-France, the French non-Communist left's elder statesman.

Mr. Mendes-France, who started his political career under Prime Minister Leon Blum in the Popular Front government in 1938, was the outstanding center-left leader during the revolving-door governments of post-war France. He earned international respect as a politician who disengaged the French Army from Indochina and an economist who helped modernize France.

Mr. Mendes-France, like Mr. Mitterrand, became an uncompromising opponent of De Gaulle — a stance that for years seemed to condemn French Socialism to the political wilderness.

Thursday, beneath the Elysee chandeliers and in front of the television cameras, the two men exchanged a few quiet words, then a solemn Gallie embrace. Mr. Mendes-France's eyes brimmed momentarily before Mr. Mitterrand moved slowly on.

France has no formal oath-taking in its presidential inauguration. After a working session with Mr. Giscard d'Estaing, Mr. Mitterrand entered the crowded reception room alone to hear a formal proclamation of his election.

He then was made Grand Master of France's Legion of Honor but did not don the Grand Master's golden chain. He, like Mr. Giscard d'Estaing seven years ago, chose to be inaugurated in a business suit, not the formal attire needed to wear decorations. Ducking aside from the TV cameras, Mr. Mitterrand signed a leather-bound act of investiture as the Legion's head.



WARM GREETING — Soviet President Leonid I. Brezhnev is welcomed to Tbilisi, Georgia, by V. Andzhaparidze, who has the title of People's Artist of the USSR, on his arrival Thursday for the 60th anniversary celebrations of the Communist Party in the Soviet region.

Mitterrand Takes Office As President of France

(Continued from Page 1)

May 10, 1981," said Mr. Mitterrand, referring to the date of his election. "It was hope. May it become the thing best shared in France."

But the new president emphasized his firm attachment to Socialist ideals. "In today's world," he said, "what greater duty could there be for our nation than to achieve the new alliance of Socialism and freedom, what greater ambition than to offer it to tomorrow's world?"

Developing Countries

He also asserted that his government would speak out strongly in favor of developing countries. "France will say with force that there cannot be a real international community while two-thirds of the planet continues exchanging their people and their assets against hunger and scorn," he said.

Shortly before 12:30, Mr. Mitterrand, accompanied by Mr. Mauroy, was driven in an open car from the presidential palace to the Arc de Triomphe, where he lay a wreath at the tomb of the Unknown Soldier. On the way, along the Champs-Elysees, the president waved to tens of thousands of well-wishers who had turned out despite rain showers.

In a departure from the rigid formality of the Giscard years, there was hardly any protocol at the Arc de Triomphe. The guests — old friends of the president, former members of the Resistance like himself, foreign Socialist politicians, writers and artists — lined up wherever they could find a place and waited to shake Mr. Mitterrand's hand. Many of them joined the president later for lunch back at the Elysee Palace.

The varied list of foreign visitors included former West German Chancellor Willy Brandt, former Portuguese Premier Mario Soares, the Greek film actress Melina Mercouri, and the American playwright Arthur Miller.

In the afternoon, Mr. Mitter-

rand paid the traditional visit to a new president to the Paris City Hall, where he was received by the neo-Gaullist mayor, Jacques Chirac, who has emerged as the leader of the conservative opposition.

In a brief speech, the mayor reminded Mr. Mitterrand that he was elected under the political system created in 1958 by De Gaulle, who conceived the post of president as "a national arbiter at the head of the state."

"The cohesion of French society is more necessary than ever," said Mr. Chirac. "Respect for others and realism in action are also more necessary than ever."

Responding to the veiled criticism, Mr. Mitterrand asked the mayor: "Who better than the president... can express the profound desire of our people for unity?"

Leaving the City Hall, the new president walked across the Seine and up toward the Pantheon along the Boulevard Saint-Michel — the scene of fierce battles between students and police during the May, 1968, upheavals that brought the country to a standstill. The crowds of mainly young people chanted "Mitterrand! Mitterrand!" Paper strips released from apartment buildings almost turned the occasion into a ticker-tape parade.

Mr. Mitterrand entered the vault of the Pantheon alone, to the strains of the "Hymn to Joy" movement of Beethoven's Ninth Symphony, and deposited small wreaths at the tombs of Moliere, the Resistance fighter, and Socialist leader Jaures.

A school holiday was decreed to allow students to view the day's ceremonies on television. This is the first time since De Gaulle established the Fifth Republic that there has been a normal succession of presidents. De Gaulle quit abruptly in 1969 after failing to get popular backing for a referendum. Georges Pompidou died in office in 1974. And Mr. Giscard d'Estaing took over a month later after narrowly defeating Mr. Mitterrand.

Reagan Assures Schmidt on Arms Talks

The Associated Press

WASHINGTON — President Reagan assured Chancellor Helmut Schmidt of West Germany on Thursday that the United States intends to engage in meaningful talks with the Soviet Union later this year on limiting nuclear arms in Europe.

Mr. Reagan made the promise at an elaborate White House welcoming ceremony as Mr. Schmidt opened a two-day official visit here. The president used the occasion to note that this is the 20th anniversary of the Berlin Wall.

"One side of the wall, people live in dignity and democracy; on the other side, in domination and defeat," Mr. Reagan said.

Mr. Schmidt, in turn, expressed concern about the "serious international situation," referring in particular to the continuing Soviet arms buildup and Moscow's occupation of Afghanistan.

To face these challenges, he said, the allied countries must pursue a policy of "determination, joint action, consistency, predictability and reliability."

Mr. Schmidt also expressed satisfaction that Mr. Reagan had recovered well from the treacherous attempt on his life on March 30. The two leaders spoke after Mr. Schmidt was welcomed with a 21-gun salute and a marching band and drum corps. A large crowd, with many West German and U.S. flags on display, witnessed the ceremony on the White House south lawn.

Mr. Reagan reaffirmed the U.S. commitment to support a December, 1979, NATO decision to deploy 572 Cruise and Pershing-2 missiles in Western Europe starting in 1983. In that same decision, the NATO countries also called for negotiations with the Russians aimed at reducing nuclear weapons deployment in Europe.

Schmidt Under Pressure

Mr. Reagan assured Mr. Schmidt that the United States is committed to the negotiations but gave no hint that he would be willing to advance the timetable for opening them. The administration has promised talks with Moscow before the end of the year but has refused to set a more precise time.

Mr. Schmidt, under heavy pressure from the left wing of his So-

cial Democratic Party, was expected to seek a U.S. promise to start the negotiations by early fall although it was not clear how hard he intended to press Mr. Reagan on this point.

Mr. Schmidt also has been concerned about high U.S. interest rates but an administration official said Wednesday the chancellor was not likely to receive much encouragement on that subject during his visit. He made no reference to the economic issue at the arrival ceremony.

The high interest rates are aimed at slowing inflation in the United States but the West German leader maintains they are having a negative impact on European economies. After years of solid performance, the West German economy is now afflicted by low growth rates.

Russians Urge Negotiations

BONN (Reuters) — The Soviet Communist Party has written to Western European Socialist parties urging early East-West talks on nuclear disarmament in Europe, a West German Social Democratic Party spokesman said Thursday.

Chairman Willy Brandt of the Social Democrats received a letter setting out in detail the missile balance in Europe, seen from Moscow's standpoint, from the Soviet Party's Central Committee, the spokesman said. Several other Western Socialist parties received similar letters, he added.

Begin Adds Conditions

(Continued from Page 1)

but that public declarations by both sides have not helped the diplomatic process.

Why Mr. Begin has chosen to seemingly complicate the diplomatic effort with the demand that Syria remove its missiles from inside Syrian territory defied explanation on Thursday.

One possibility is that Mr. Begin was seeking to prolong the negotiations until close to the June 30 election day in hopes of diverting attention here from domestic issues on which he is vulnerable, such as triple-digit inflation and current labor difficulties, including a nationwide school strike.

Pravda Cites War Threat

MOSCOW (AP) — The United States and Israel threaten to spark war in the Middle East by planning to teach Syria "a lesson," Pravda charged Thursday.

Under the headline, "Threat of a Major Conflict," the party newspaper said there were reports that Israel was moving artillery and armored units to the southern Lebanese border, and implied that a new Mideast conflict was part of Israel's plans to permanently annex the Golan Heights, captured from Syria in the 1967 Mideast war.

"Tel Aviv's plans are wild and dangerous," Pravda said, adding that "the idea of 'teaching Syria a lesson' to weaken it accords the aims of both American and Israeli policy."

The Soviet charge was made a day after an announcement that King Hussein of Jordan would visit the Soviet capital in the next 10 days, before the end of the month.

The Soviet media have been critical of Mr. Habib's diplomatic mission to the Middle East, saying that it was organized to promote U.S. interests at the expense of Syria and Lebanon. "From the point of view of maintaining peace, Habib's mission gave nothing," the latest Pravda article said.

Jordan's King to Visit Moscow This Month

MOSCOW — King Hussein of Jordan will visit Moscow this month, his first trip to the Soviet Union since 1976, Tass said Thursday.

Though traditionally pro-West, King Hussein holds views on the Mideast that are akin to those of Moscow, opposing the Camp David peace agreements between Egypt and Israel.

Spy Issue Hinders Lebanon Talks

U.S. Reported to Urge Alternative to Israeli Overflight

By John M. Goshko
Washington Post Service

WASHINGTON — Efforts to achieve a negotiated settlement of the Lebanon crisis are hung on the problem of getting Israel to cut back overflights of that country in exchange for the United States providing another means of gathering intelligence, according to diplomatic sources.

The sources said that Israel has not yet decided whether U.S. intelligence-gathering substitutes, such as satellite reconnaissance, would adequately meet its security needs for information about deployment of Syrian military units and Palestine Liberation Organization forces in Lebanon.

Resolution of that question is considered crucial to the chances of working out an agreement between Israel and Syria to defuse the crisis and restore the delicate balance that existed in Lebanon until late last month, when the Syrians deployed anti-aircraft missiles there after two Syrian helicopters were downed by Israeli jets.

Pravda Criticizes CIA on Oil Data

The Associated Press

MOSCOW — Pravda said Thursday the CIA should "eat its hat" for its admittedly erroneous prediction that the Soviet Union would be a net importer of oil by 1985.

The CIA said earlier this week it had scrapped a 1977 forecast that Soviet oil production would drop, forcing the Kremlin to look abroad for petroleum supplies — including the possible conquest of countries in the Middle East.

Pravda said the United States used the CIA prediction to invent "every possible kind of sinister scenario of the Soviet threat of capturing the oil in the Middle East."

WORLD NEWS BRIEF

Flight Controllers Cripple London's Airports

The Associated Press

LONDON — Hundreds of flights at Britain's two major international airports were canceled Thursday as air traffic controllers staged longest and most widespread walkout in the civil servants' pay drive.

With the series of rolling strikes in its 11th week, weary of London's Heathrow Airport reported about half the normal 800 day were landing or taking off.

About two-thirds of the 110 scheduled flights in and out of London's other major airport, Gatwick, were canceled. For the first time a controllers, instead of staging the half-day walkouts that have airports about twice a week for the last three weeks, launched a shift, 13-hour walkout.

Bonn Minister, Aide Probed for Tax Off

Reuters

BONN — Authorities have started an investigation into suspected offenses involving the West German economics minister, Otto Dörff, and parliamentary deputy Hans Gattermann, both members of the Free Democratic Party, the city's office said Thursday.

The prosecutor's office said that charities close to the Free Democratic Party were believed to have reduced their taxes by falsely declaring they were spending money on socially beneficial activities. They saved appeared to have been transferred to organizations and then paid it back to the FDP.

Mr. Lambdoff denied that any illegal financial transaction place while he was treasurer from 1968 to 1977 or during Mr. Gattermann's period of office. "I await the result of the investigation equanimity," he said in a statement.

Bonn Opposes EEC Curbs on Farm Prod

Reuters

BRUSSELS — West Germany has come out strongly against curbs on imports of agricultural products into the European Community as a way of controlling the costs of EEC farm policy, Bonn sources said Thursday.

Bonn, they said, has especially rejected suggestions for tighter controls on such products as tapioca and corn gluten feed, a small feed. But it has also called for a crackdown on EEC farm subsidies which takes 70 percent of the community's budget — mostly paid by West Germany.

Bonn was said to urge that the community rely more on market to control farm expenditures, and that farmers be forced by price mechanisms to stop producing costly food surpluses.

S. Korea Frees Dissident's Wife, Ex-Pol

Reuters

SEOUL — The wife of political dissident Kim Dae Jung said she was released Friday from the partial house arrest imposed a declaration of martial law in South Korea.

Her husband, who was one of the first to be detained when law was clamped down last May, is serving a life jail term after found guilty last January of sedition. Mrs. Kim said she was in police custody Thursday night that she would be allowed freedom of movement Friday. No reasons were given.

Police also released Kim Young Sam, former leader of the New Democratic Party, from the house arrest in effect since the declaration of martial law, his aides said.

China Sends Naval Force Toward Vietnam

From Agency Dispatches

PEKING — Chinese warships steamed toward the coast of Vietnam Thursday and Peking warned its neighbor of "due punishment" for flouting of fighting along their common border.

In its toughest warning since the two nations fought a month-long war in 1979, the Chinese news agency said that if the Vietnamese stop armed incursions, "you must bear the entire responsibility for the consequences arising therefrom."

The warning coincided with diplomatic reports in Hong Kong that Chinese naval task force of three guided missile destroyers, a tanker and a support vessel was moving into the Gulf of Tonkin off the coast of Vietnam.

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Senate Approves Reagan Budget Paving for Deep Spending Cuts

WASHINGTON — The Senate today approved President Reagan's budget, paving the way for deep spending cuts in the coming year.

The Senate passed the budget by a 51-45 vote, with 11 Republicans and 40 Democrats in favor. The measure would cut federal spending by \$13.5 billion over the next three years.

The budget was tailored to meet President Reagan's proposals to cut back domestic programs while increasing U.S. military might.

It also makes room for President Reagan's controversial three-year, 30-percent tax reduction, or another 30 percent of the same size—about \$54 billion. However, the measure does not endorse the Reagan tax cut.

It projects a federal deficit of \$37.7 billion—much less than President Reagan's projection.

The compromise measure was worked out last week by House-Senate conferees who reconciled similar versions of the plan passed earlier by the House and Senate.

It orders congressional committees to cut more than \$35 billion from a wide range of federal programs.

Reagan Urges Reduction Army Rather Than Navy

WASHINGTON — President Reagan today urged a reduction in the size of the U.S. Army rather than the Navy.

The president's message came in a letter to Congress, in which he urged a reduction in the size of the U.S. Army rather than the Navy.

Reagan said that the Army was the "mainstay of our defense," and that a reduction in the size of the Army would be "a serious blow to our national security."

He urged Congress to "maintain the strength of the Army" and to "avoid any reduction in the size of the Army."

Reagan also urged Congress to "maintain the strength of the Navy" and to "avoid any reduction in the size of the Navy."

Reagan Opposes EEC Cuts

WASHINGTON — President Reagan today opposed cuts in the European Economic Community (EEC) budget.

Reagan said that the EEC budget was "a vital part of our defense," and that a reduction in the size of the EEC budget would be "a serious blow to our national security."

He urged Congress to "maintain the strength of the EEC budget" and to "avoid any reduction in the size of the EEC budget."

India Talks in N.Y., Affirms

WASHINGTON — President Reagan today affirmed that the United States would continue to support India's efforts to resolve the conflict in Sri Lanka.

Reagan said that the United States was "committed to a peaceful resolution of the conflict in Sri Lanka," and that it would continue to support India's efforts to achieve this goal.

India Sends Naval Force

WASHINGTON — President Reagan today announced that India had sent a naval force to the Persian Gulf.

Reagan said that the Indian naval force was "a significant step towards resolving the conflict in the Persian Gulf," and that it would continue to support India's efforts to achieve this goal.

Reagan's Son Quits a Job Over Controversial Letter

WASHINGTON — President Reagan's son, Michael, has resigned from his job as a senior vice president of a major insurance company.

Michael's resignation came in the wake of a controversial letter he wrote to a friend, in which he expressed his support for the apartheid regime in South Africa.

1 Pleads Guilty In Dominica Plot

NEW ORLEANS — A man accused of plotting the invasion of Dominica has pleaded guilty to the crime.

The man, who is a member of the Black Liberation Army, was charged with conspiring to overthrow the government of Dominica.

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New U.S. Intelligence Proposal Restores Some Rights Omitted From Earlier Draft

By Judith Miller
New York Times Service

WASHINGTON — While the Reagan administration's new intelligence proposal seeks to restore some rights omitted from an earlier draft, it also contains provisions that would broaden the scope of intelligence activities.

The new draft, by an interagency group headed by the CIA, began circulating three weeks ago among intelligence officials, the White House and the congressional intelligence committees.

The interagency group had put out an earlier draft, but White House officials disavowed it when its disclosure last March evoked charges that it would significantly weaken civil liberties and invade citizens' privacy.

The Carter Order

The new version has also aroused debate among officials, with some contending it does not provide adequate safeguards and others saying it does not grant intelligence agencies sufficient flexibility.

The draft would replace Executive Order 12036, the basic framework for all intelligence activities, signed by President Carter on Jan. 24, 1978. The revised order would have the force of law if signed by President Reagan.

Like the first draft, it would restrict the Carter order in terms that authorize rather than restrict the collection of intelligence information and the use of such techniques as searches, surveillance and infiltration.

The basic controls established by President Carter were set forth in Section 2, entitled "restrictions on intelligence activities," including the category "restrictions on certain collection techniques."

The proposed order also provides that intelligence agencies that object to procedures established by the attorney general to protect civil liberties and privacy rights may appeal to the National Security Council, composed of the president, vice president and secretaries of state and defense.

Terrorism and Narcotics

Intelligence agencies would be authorized to collect information about a "person who has acted or may be acting on behalf of a foreign power, has engaged or may be engaging in international terrorism or narcotics activities."

Agencies would be permitted to collect data on individuals who have "endangered the safety of any person protected by the United States Secret Service or the Department of State, or may be endangering the safety of any person."

These provisions broaden the Carter standard, which permits such collection only on individuals "reasonably believed to be acting on behalf of a foreign power, engaging in international terrorism activities or narcotics production or trafficking, or endangering the safety" of persons protected by the government.

Under the current order, searches and physical surveillance can be undertaken against a United States citizen only if the attorney general has found "probable cause" to believe the citizen was an agent of a foreign power. The latest draft deletes this "probable cause" standard and simply requires the attorney general to in-

sure that the intelligence activities are "lawful under the Constitution and statutes of the United States."

The Carter order limits the collection of information needed to protect unauthorized disclosure of foreign intelligence sources and methods or intelligence to "present and former employees, present or former intelligence agency contractors" and others who have applied for or obtained contracts with intelligence agencies. The proposed order eliminates these categories.

In some respects the new order contains privacy and civil-liberties safeguards contained in the existing order—safeguards that would have been eliminated in the Reagan administration's first draft.

For example, the new draft would retain the requirement that information be collected by the "least intrusive means possible." It would also retain the provision that says: "The CIA may not engage in any electronic surveillance within the United States."

Anti-Semitism on Decline in U.S.,
Study by Jewish Committee Finds

WASHINGTON — Although prejudice against Jews still persists among a minority of Americans, it has declined significantly in the United States in recent years, according to a new nationwide survey conducted for the American Jewish Committee.

Measured against a similar study published in 1964, the latest survey by the public opinion research firm Yankelovich, Skelly and White shows a "definite decline in anti-Semitic stereotypes of Jews," according to Ruth Clark, who oversaw the face-to-face interviewing of the more than 1,200 persons who participated.

While the percentage of persons holding "highly anti-Semitic" views declined from 19 to 9 percent and those who, for example, regarded Jews as "shrewd and tricky" dropped from 40 percent to 27 percent, Miss Clark said there remained serious pockets of prejudice. Almost half the blacks interviewed, she said, held anti-Semitic views.

"It's not a rosy study, but the country is in better shape in 1981 than in 1964," she said in describing the preliminary findings to a session of the American Jewish Committee. The committee was founded 75 years ago to combat prejudice.

Her report came amid concern expressed by Jews that a recent rash of anti-Semitic incidents could indicate a higher prevalence of prejudice than the study found. The reported incidents — painting

swastikas on synagogues, desecrating cemeteries and the like — numbered 377 in 1980 compared to only 129 "anti-Semitic episodes" in the United States during 1979. But AJC officials largely discounted such actions as those perpetrated by teenagers unaffiliated with any organized hate group.

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Basque People Grow Weary From Years Of Political Violence

By James M. Markham
New York Times Service

VITORIA, Spain — It was a typical day in the Basque provinces. In Leizor, in Vizcaya province, two Civil Guards were killed when terrorists of the Basque separatist organization, ETA, detonated a land mine under their jeep. In Vizcaya and Guipuzcoa provinces, a score of Basque radicals were accused under harsh anti-terrorist legislation of helping ETA.

"You know we've had two more," said Carlos Garaicoechea, president of the regional government. He did not have to explain further.

But some things have changed here. Herri Batasuna, an above-ground coalition that supports ETA, has lost its ability to marshal people for demonstrations. Widespread denunciations of its leaders have brought only muted protests.

After having complained for several years that Basque autonomy was a fiction, Mr. Garaicoechea and his Basque Nationalist Party have been given powers over education, industry, transportation, health and industry in the region and, more important, a budget of their own.

Dreams Linger On

It is less than many Basques demand. There have been costly delays in developing a Basque police force that could one day take on ETA, and Mr. Garaicoechea is critical of Madrid's "paternalist" attitudes toward his party, which has never really buried its dreams of an independent Basque nation.

But home rule is no longer a mirage. "We have done better than the Catalans, though it is not in our interest to say so," acknowledged Xabier Arzalluz, a former Jesuit who is the president of the Basque Nationalist Party.

The Basque region is far from being pacified, but most of its people are weary of violence, and its radicals are clearly worn out by the years of protests, elections, marches and confrontations. They are frightened, too, by the unsuccessful military coup of Feb. 23, Basques know that their demands for home rule and ETA's killings provoked the coup.

"On Feb. 23 it was clear that the Basque people were not ready to confront the military," said Mario

Onaindia, a leader of Euzkadiko Ezkerra, an important Marxist grouping. "It turned out that the 'Basque Army' was not an army, but just a group of provocateurs."

Mr. Onaindia was speaking of ETA, and his words carry a special weight. A former ETA guerrilla, he was condemned to death by the Franco regime, then reprieved. For several years Euzkadiko Ezkerra has been the political arm of ETA's more flexible "political-military" wing. After the coup, it proclaimed a cease-fire, but ETA's hard-line "military" wing kept on killing.

Mr. Onaindia believes that the attempted coup has strengthened "the determination to take the guns away from ETA," a goal he endorses. "There has not been a popular reaction against the arrests," he continued, referring to the crackdown on ETA's sympathizers and Herri Batasuna. "The police are doing the same thing as ETA-military — they are wearing down the people. People are numb."

The central government's decision to dispatch 2,000 troops to the mountainous frontier with France to stem ETA's infiltrations has also caused little controversy. Many Basques regard the national police and paramilitary Civil Guard as occupying forces, and they were expected to view the deployment of troops here with alarm. But the soldiers are out of sight, and since the attempted coup even Basque radicals have been wary of criticizing the army.

Signs of Backlash

The gradual isolation of ETA could be reversed, however, if Premier Leopoldo Calvo Sotelo were forced into declaring a state of emergency here to appease the army. He is reliably reported to be ready to resort to emergency measures if ETA strikes another dramatic blow.

There are already signs among Basques of a new anti-Madrid backlash as some policemen and Civil Guards, emboldened by the coup attempt, have stepped up harsh interrogation of suspected ETA sympathizers and militants.

"If the people do not collaborate with the Civil Guard it is because they consider them the enemy," Mr. Arzalluz said. "If we had been given our police powers sooner, we could have confronted ETA, and we don't think we are going to lose our nerve in a confrontation with them. We think that to end the terrorism, the first thing that has to be done is to have confidence in the people."



Japanese anti-nuclear protesters, along with several American pacifists, demonstrated Thursday outside the U.S. Embassy in Tokyo over movements of U.S. Navy vessels carrying nuclear arms.

Suzuki's Troubles May Affect U.S. Ties

By Henry Scott Stokes
New York Times Service

TOKYO — The government of Japan has recently run into a series of mishaps, disputes and embarrassing disclosures — all unrelated but forming a pattern of difficulty for Premier Zenko Suzuki — and the question is how seriously these affect the relationship with the United States.

At the government level, ties appear likely to remain close. Both governments are determined to strengthen relations, as shown by the recent Washington visit of Mr. Suzuki, who had cordial talks with President Reagan.

But there is a mood of quiet disenchantment with the United States and mistrust of it because of recent events, and that has to limit what the government does.

Among the causes of this mood are two incidents at sea. Last month the U.S. nuclear-powered submarine George Washington collided with and sank the Nissho Maru, a Japanese merchant ship, with the loss of two lives. Japan erupted with protests because the submarine left the scene without rescuing the 13 survivors. The U.S. Navy issued a report that said the submarine had checked on the condition of the Japanese ship after the collision and apparently failed to see that it was sinking.

Fishing Lines Cut

Then on Saturday, U.S. ships on joint exercises with the Japanese in the Japan Sea ran into and cut the lines of fishing vessels, which trail as far as 20 miles in this season. Expensive equipment was damaged, and the Japanese have difficulty understanding why the exercise was conducted in waters known to be cluttered with the fishing lines at this time of year.

The United States is expected to make full and swift compensation for both accidents. But they drew nationwide attention, partly because Japan is one of the world's great fishing nations and has one of the largest merchant fleets.

The next trouble was the sudden resignation of Foreign Minister Masayoshi Ito last weekend after his return from Washington with Mr. Suzuki. Mr. Ito was virtually forced out of the Cabinet by Mr. Suzuki's harsh, repeated criticism of what the premier regarded as Foreign Ministry incompetence in handling a communique on the talks.

Mr. Suzuki appears to be on weak ground, because he approved the communique in advance. It called for an "alliance" with the United States and seemed to agree to increased military spending — a point on which the United States has been pressing Japan. Then Mr. Suzuki explained that he had told Mr. Reagan that Japan could do little more on defense.

The effect of the squabble was to give the Japanese the impression of a leader who vacillated in the talks.

face of U.S. pressure for much higher military spending, the prime topic of political debate in Japan.

Concern over the United States and military matters was worsened this week by former Ambassador Edwin O. Reischauer's discussion of what he called an "oral agreement" under which Japan allows

U.S. ships and planes carrying nuclear weapons to visit or pass through Japan. Some, like the carrier Midway of the 7th Fleet, are based here, presumably with nuclear weapons aboard.

Mr. Reischauer's remarks raised a storm because the opposition has long insisted, and the government has denied, that there was such an agreement. About three-quarters of the Japanese, according to 1975 polls, suspected that U.S. nuclear weapons were here, but confirmation was a lot for public opinion to swallow.

The government insists on the official position held for years, that there has been no "introduction" of nuclear weapons to Japan. But this goes against the spirit of the letter of the established government principle that Japan shall not make or own nuclear weapons or allow them into the country.

Output of Sugar, Tobacco Seen Rebounding in Cuba

By Don Shannon
Los Angeles Times Service

HAVANA — After a bleak 1980, when disease devastated the sugar and tobacco fields here, production of Cuba's two leading export crops was expected to return to normal this year.

Tobacco exports normally bring in about \$100 million a year in scarce foreign exchange, but last year about 90 percent of the export crop was wiped out by blue mold. Sugar production was reduced by a form of rust that attacked a high-yield variety of cane.

2 Electricity Towers Are Bombed in Peru

United Press International

LIMA — Bombs toppled two high tension towers here in an unsuccessful attempt to block out the Peruvian capital, authorities said. They added that left-wing terrorists were suspected of the attack.

It was reported to be a coordinated action, government agencies or property were bombed or came under incendiary attack in Lima and in various cities. The attacks caused extensive damage but no injuries.



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Agca Case Turns West German Spotlight On Flourishing Turk Extremist Group

By John Tagliabue
New York Times Service

BONN — Unconfirmed reports that Mehmet Ali Agca, the man charged with shooting the pope, lived in West Germany's numerous Turkish communities after his flight from prison in his own country, have focused attention on the spread of Turkish extremism in West Germany.

Publicly, government officials have reaffirmed that, until now, no evidence has appeared to indicate that Mr. Agca was in West Germany. Wednesday, a government spokesman, Lothar Ruchel, assailed the Turkish government's criticism of West German efforts to apprehend Mr. Agca, saying that Turkish information intended to lead to his arrest was "inadequate and materially misleading."

But privately, high government officials acquainted with Turkish extremism admitted that intense, though clandestine, investigations are continuing into Mr. Agca's supposed movements.

Although Bonn stopped the influx of foreign migrant workers to West Germany six years ago, there are 4 million foreigners in the country, roughly 1.4 million of them from Turkey.

Political Polarization

Government analysts say that the polarization that grew in Turkey in the late 1970s, as the country's economic and political fabric unraveled, led to growing radicalization and militancy among Turkish groups in West Germany.

A recent report by Bonn's domestic intelligence agency estimates the number of members of Turkish extremist groups at about 50,000, roughly 26,000 of them in rightist organizations.

The influence of the groups varies greatly, on their jobs and at home, said Jürgen Miksch, who oversees the German Evangelical Church's migrant worker efforts in Frankfurt. "The extremists would like to control workers' daily lives. They tell them, go there, don't spend your time there. Generally, it creates an atmosphere of intimidation."

The government's analysts say that since the coup that brought the military junta to power in Turkey in 1980, the left and right have been in the forefront of the military regime is strongest, has stepped up. But labor union and church workers among migrant laborers accuse the government of turning a blind eye to extremism on the right.

Integration Problems

The rising militancy among Turkish workers is sometimes attributed to Bonn's sluggishness in socially integrating Turkish workers and their families, who remain aloof from German life because of deep differences in language, life-style and religion. Most of the 1.4 million Turks are Moslems.

The major leftist extremist organization is the Federation of Turkish Labor in Germany, or FIDEL, a grouping of two labor unions that claims to have about 20,000 members. FIDEL is closely allied with the outlawed Turkish Communist Party, which has its headquarters in exile in East Germany. West Germany's labor union movement avoids all contact with FIDEL.

The major rightist organization is the Federation of Turkish Democratic Associations, or TUDAP, an umbrella organization for about 200 purportedly cultural groups throughout Europe. The federation's headquarters in Frankfurt says it has

23, was transferred from Rome's police headquarters to the city's Rebibbia jail, where he will be held in solitary confinement while awaiting trial.

He faces charges of attempting to kill the pope, equivalent under Italian law to an attack on a head of state, and of attempted murder of the two American women tourists who were injured in the shooting. The charge of attempting to kill the pope carries a sentence of life imprisonment.

"I am sorry for the two foreign tourists, not for the pope," Mr. Agca shouted as he was led from the police building to an armored vehicle. He looked composed after a week of nearly continuous interrogation.

Earlier Thursday, the pope's alleged attacker, Mehmet Ali Agca, called him "probably Washington's worst politician" for his involvement in alleged scandals, his outspoken comments on national and international personalities and pranks such as turning a pig loose in the offices of J. Edgar Hoover, the late director of the FBI.

Gen. Harry Vaughan, Truman Aide, Is

WASHINGTON — Maj. Gen. Harry H. Vaughan, 87, who as President Harry S. Truman's military aide and close personal friend survived influence-peddling charges and some unsavory associates, died Wednesday.

A burly figure often seen in uniform immediately behind Mr. Truman, Gen. Vaughan was the center of the "five-percenters" investigations of the late 1940s, in which he and others were accused of peddling their influence in the White House. Gen. Vaughan denied ever accepting favors or performing improper favors and survived the investigation, remaining in the White House until Mr. Truman departed in 1953.

A likable man with many friends, Gen. Vaughan was routinely called a White House jester and a national menace. He routinely made embarrassing remarks while serving as Mr. Truman's military aide.

The Saturday Evening Post once

50,000 members, roughly 35,000 of them in West Germany.

Government analysts say Turkey's National Action Party, a neofascist grouping now outlawed in Turkey, established the federation as a front organization after overseas activities of Turkish political parties were banned in 1976.

The Gray Wolves

The National Action Party's youth group, the Gray Wolves, is outlawed in Turkey, but young Turks in West Germany use the symbol of the wolf, a mythological creature said to have led Turkish warriors into Asia Minor in early times, as a symbol of nationalist feeling.

"The extremists here are a mirror-image of Turkey," said a Bonn

analyst. "The same org are here, the suborgans the splinter groups."

The work of the group, say, is to build strong nations in exile to pursue the goals clandestinely. The analysts say most of the groups support ideas the superiority of the Turkish and the Islamic faith, propagate the idea of turning the West and establishing an Islamic empire.

Although the National Party, and the Turkish P, are secular groups, they developed ties to Islamic West Germany, exploiting Islamic revival among Turkish workers, analysts said.

Lech Walesa, the union leader, signs the memorial to Tomb of the Unknown Soldier in Warsaw to mark the birthday anniversary of Gen. Wladyslaw Sikorski, head of the Free Poland movement in London in World War II.

Poland's Former Premier Is Suspended From Parliament

From Agency Dispatches

WARSAW — Edward Babuch, the former premier whose decision to raise meat prices last July sparked Poland's labor crisis, has been suspended from the Communist Party, Polish newspapers reported Thursday.

Meanwhile, five factory workers in Sosnowiec, Silesia, have begun a hunger strike until all political prisoners are released, according to the independent union Solidarity, which had included this demand in the accords it signed to end its strike last summer.

The labor newspaper Glow Pracy said Mr. Babuch, who became premier in February, 1980, and was fired from the premiership and the ruling party Politburo at the height of labor unrest in August, was suspended from party functions at a meeting with members of his party local in Minsk Mazowiecki, about 25 miles east of Warsaw.

Trybuna Mazowiecka, the newspaper of the Warsaw Voivodship (provincial) party branch, reported that the meeting Monday found Mr. Babuch responsible for mistakes in conduct of the party's overall internal activities and personnel policy, and said action be taken to improve the country's economic situation was unsatisfactory.

Mr. Babuch was questioned about his activities in the Politburo

and whether it was Politburo members to opinions taken by former party leader, Edward Giersek, Tybulewicz reported.

Mr. Babuch said he had the job of premier under pressure from other members of the party, believing he would contribute to solving the problems.

He said that a central commission set up last month to investigate former leadership responsibility of former leader, Edward Giersek, and the crisis would consider his week, according to the report.

Prawda Assails Reformers

MOSCOW (Reuters) — The Polish Communist newspaper on Thursday implicitly assailed sweeping changes at the congress in July and August of last year that could threaten Communist orthodoxy.

In an examination of the party's activities, the newspaper said, the congress had approved reforms that would give more power to party activists who sought to reform the party through ideas that are seen as a departure from Marxist-Leninism.

East Germany Warns to Wa

BERLIN (NYT) — The man Communists have warned the Poles that they are running out with their find a political solution.

In an extremely critical report on events in Poland, the Polish press service, the East German newspaper said the "Polish press" had failed to give a clear direction to defeat counter-revolutionary forces, and Communist forces how to restore the country's social life.

Political analysts said that the report mentioned by name of Stanislaw, the Polish party secretary, said that he expected the East German press to intensify pressure on the Polish government to curb the influence of the up to the time of the progress.

Rare Case of Cholera Diagnosed in Texas

BEAUMONT, Texas — The first case of human cholera in Texas in nearly 10 years has been diagnosed, but it was an isolated case not related to contaminated water or commercial food, state health officials said.

Cholera was last reported in a Texas resident in 1973 at Port Lavaca. The most recent case reported in the United States was in Louisiana in 1978. There have been only five documented cases in the last 10 years. The 42-year-old victim apparently came down with the disease after eating improperly prepared seafood that he had caught, a health official said Wednesday.

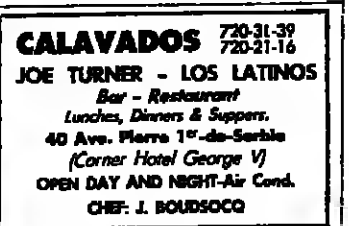
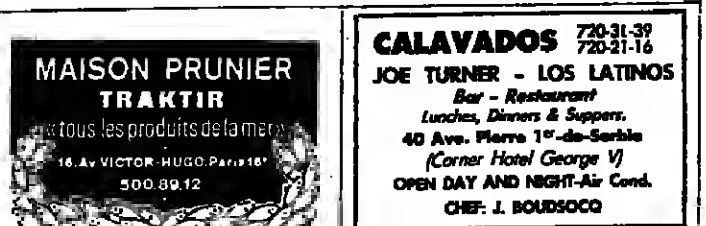
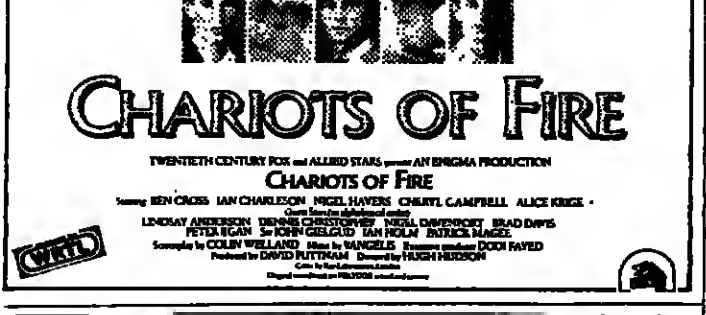
DEATH NOTICE

Mr. and Mrs. Van Thuy and children, Mark and J. Van Thuy, announce the death of their son, Mr. Van Thuy, who died on May 20, 1981, at the age of 30. The funeral will be held on Friday, May 22, at 10:00 A.M. at the funeral home of Mr. Van Thuy and Mrs. Van Thuy, 15, Ch. David C-1009, P.O. Box 1009, Houston, Texas 77001.

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OFFICIAL BRITISH ENTRY - CANNES 1981



A Safe Haven for Boat People

A report by William Branigan of The Washington Post (IHT, May 21) provides a grim reminder that the Vietnamese boat people have not gone away. What's more, their numbers are increasing. Hong Kong reports that it has taken in twice as many Vietnamese refugees this year as during the same period last year. And the United Nations High Commissioner for Refugees says that 10,000 Vietnamese arrived in Asian countries last month, double the rate for the first three months of this year. That is nothing like the 55,000 refugees registered by the High Commissioner in June, 1979, one month before Hanoi agreed to curb the flow. But it is still a large number of people and it does not reflect the substantial number who die at sea.

Stories of death from starvation, drowning or murder by pirates are still commonplace. So are those of rape and fingers severed to steal rings. Thousands may die every month in their attempts to escape from Vietnam. They are ethnic Chinese and Vietnamese, they come from the north and the south. And along with the boat people, other thousands are making the dangerous overland trek through war-torn Cambodia to Thailand. They are all risking their lives to leave Vietnam. And they go without any real assurance of a better life once they reach Thailand, Malaysia, Indonesia, Hong Kong or Singapore.

No one knows whether the increase in the refugee flow signals a surge comparable to the tidal wave that swamped Asia in 1979. But if it does, the United States and its allies

in Asia (including Japan) and Western Europe, should be prepared to deal with it this time. Countless lives were lost in 1979 when Asian countries refused to let boats land. During the first six months of 1979, Malaysia alone forced out to sea 55,000 Vietnamese boat people. This happened in part because it looked like Malaysia would have to absorb all the refugees who landed, rather than just serving as a way station to final destinations. The same was true of other countries.

Now, the United States is holding up on admitting Vietnamese refugees in a classic conflict between foreign and domestic policy. Refugees, whether Vietnamese, Cambodian, Cuban or Haitian, are a political problem at the moment in the United States. Congress wants to limit their numbers by restricting admission to those who are fleeing persecution as opposed to privation. That is creating concern in various Asian countries that they could be in for a repeat of 1979. The State Department sees that as detrimental to U.S. foreign relations and is urging that the United States accept economic as well as political refugees.

As usual, the human considerations are lost in all of these national arguments. The refugees are people. Once they leave Vietnam they cannot go back. Some arrangements must be made to look after them. They must not be denied safe haven like so many of their predecessors if they are lucky enough to reach a foreign shore. Preparations should begin now to prevent that from happening.

INTERNATIONAL HERALD TRIBUNE

Pretending There's a Lebanon

Having painted themselves into a corner in Lebanon, Syria and Israel seem alternately appreciative and contemptuous of U.S. mediation. For a time, they appeared dangerously close to believing that the United States needed peace even more than they. That brought a useful warning that Washington feels no requirement to get paint on its shoes.

Now the U.S. suggestions — and Saudi offers of financial aid to Syria — seem to be getting a more respectful hearing. But the situation remains vulnerable to miscalculation. And the way back from the brink in Lebanon depends, precariously, on reviving the fiction that there really is a Lebanon.

Miscalculations aside, this confrontation can end only if both Syria and Israel genuinely want it ended. Their actions suggest they do, but there are rash voices in each camp.

Pan-Arabists say that a few battles will restore the united front against Israel, isolate Egypt and perhaps even jeopardize its peace with Israel. Some Israelis say the Camp David peace needs to be tested by fire before the rest of Sinai is returned to Egypt. Others want to enhance Israel's position in Lebanon, or just win votes in a close election campaign.

But both nations have good reason to shrink from a fight. The Syrians would risk great physical punishment and diminished capacity to control affairs in Lebanon. The Israelis, though stronger, would not gain any military advantages. It would be costly to knock out the offending — and replaceable — Syrian anti-aircraft missiles from the air. Ground action would lead to a protracted war of attrition.

So as Philip Habib seems to have discovered in his shuttles around the region, there may be ways to pare this crisis into a series of new understandings. The main issue turns on

Syrian and Israeli poaching rights in ravaged Lebanon, whose civil war has stripped it of all legal and military attributes of sovereignty. Resolving the crisis nonetheless requires a minimal respect for Lebanon's frontiers, government and army.

The Israelis would let Syria's occupation force operate unmolested in most of Lebanon if they retain air rights for reconnaissance and retaliation against Palestinian camps. Only after the Israelis shot down two Syrian helicopters operating against Lebanese Christians did Syria roll in the Soviet-made missiles that Israel insists on removing.

If the Syrians move the missiles in stages back across their border, the Israelis can probably be persuaded to limit their flights over Lebanon to reconnaissance. And even these might be curtailed if the United States gives Israel access to its satellite photographs. The provocative Syrian helicopter attacks might then be stopped if the Lebanese Christians and Syrians would feign deference to Lebanon's modest army in the disputed Bekaa Valley. And even Israeli strikes at Palestinians might be limited if Syria undertakes quietly to help prevent their cross-border guerrilla attacks on Israel.

There is no reliable evidence that the Soviet Union either willed this confrontation or, as it declares, is helping to resolve it. But Saudi Arabia seems ready to resume its sizable aid to Syria to facilitate agreement and win U.S. gratitude.

Add a measure of pretense and a deal is in sight. What passes for the Lebanese government could propose all the new arrangements, sparing Israel and Syria the embarrassment of yielding to each other. Wouldn't everyone be better off if there really were a Lebanon? That's a matter for calmer days.

THE NEW YORK TIMES

The Puzzle of Interest Rates

The bond markets and the interest rates constitute a continuous public opinion poll on the future of the economy. To the indignation of the Reagan administration, interest rates have been moving sharply up this spring. The market's behavior seems perverse and unfair to the White House. The president is making strong progress with his budget, and the recent figures show inflation declining. Why aren't interest rates responding to the good news?

The beginning of the answer is that a lot of people have lost serious amounts of money over the past several years by underestimating the momentum of inflation. They do not intend to repeat the mistake. The administration had hoped that a showing of serious intention by President Reagan would be rewarded immediately by a change in the markets' view of the future. That has not happened so far.

The administration and the Federal Reserve are now committed to unprecedentedly close restraint of the money supply. But the economy has been growing more strongly than most people expected, and this growth, pressing against a sharply constrained money supply, is also pushing interest rates up.

According to the conventional view, high interest rates discourage people from borrowing and that, in turn, holds down sales and investment. But there's an interesting debate under way among bankers and brokers whether this view has any relationship to the way that the economy is actually working.

Whatever the relationship between interest rates and the rest of the economy, it's nothing familiar, neat or simple. People have become accustomed to high rates with astonishing speed.

Financial practices are now changing rapidly, in response to high inflation and high interest rates. No one can accurately foresee the direction that this evolution will take, but it clearly has large implications for Mr. Reagan's economic strategy. It means that high interest no longer works reliably as a brake on inflation, and the danger of inflation is correspondingly greater than it seemed as recently as a year ago. The president is going to have to choose between his commitment to a series of large tax cuts and his commitment to lower inflation. Getting the inflation rate down is now far more urgent.

THE WASHINGTON POST

In the International Edition

Seventy-Five Years Ago

May 22, 1906

WASHINGTON — Mr. Taft, Secretary of War, is growing "thin" — that is, relatively. Having by strict training reduced his weight to 250 pounds, he ate his first "square meal" in five months today. He has decreased his weight 76 pounds since December. From Pittsburgh comes the report that by marrying his mother's French maid, who is known to the family only as Frances, Mr. John A. Moorhead, grandson of one of Pittsburgh's wealthy steel manufacturers, is likely to lose a fortune. Mr. Moorhead graduated from Yale in 1904. At college he played football. He cared little for local society. When his parents noticed his attentions to the maid, they warned him he would be disinherited, but he persisted.

Fifty Years Ago

May 22, 1931

PARIS — Today's editorial in the Herald reads: "At the Monday session of the League of Nations, Livinoff, the Russian foreign minister, accused the other countries of 'dumping' merchandise in the world markets at prices below the cost of production and denied that his own country did this. How entirely of a piece with the audacity for which Soviet diplomacy and other action abroad have become famed is this impudence! The one thing of value that the delegate uttered was the quasi-admission that Moscow policy now seeks a compromise between collectivism and capitalism. This implies that there is urgent need of working funds from abroad for the continuation of the 'five-year plan.'"

In the current edition of a party youth magazine, Viktor Chebrikov, a deputy chief of the KGB, made a rare admission of substantial unrest and criticism of the government. He said that some nationalists "appeal to the separation of this or that republic from the U.S.S.R."

Although the right of separation for the 15 republics is guaranteed in the Soviet constitution, anyone who advocates secession is considered a criminal. Nationalists, the KGB officer



The Quiet Hunger Strikers

By Murray Seeger

BRUSSELS — Bobby Sands, Francis Hughes, Juuri Kukik. Each died of fasting, each a martyr to his cause. Mr. Sands and Mr. Hughes are well-known. They were gunmen of the Provisional Irish Republican Army and they died within the last few weeks protesting their treatment in a Belfast prison.

But Juuri Kukik? He never carried a gun or caused any physical harm to anyone. He was a chemist and a teacher — and an Estonian nationalist. He suffered and died in a Soviet prison camp for political dissidents, and his death attracted virtually no attention in the West.

At issue in the Belfast deaths was the question of whether the IRA gunmen were political or common prisoners. They had been tried and sentenced not for political acts but for violating the criminal statutes.

Mr. Kukik's crime was truly political. Last January, Mr. Kukik, along with Mark Niklus, a well-known nationalist, was tried and convicted in Tallinn, the beautiful seaport capital of Soviet Estonia. The charge: involvement in "anti-Soviet agitation and propaganda."

Mr. Kukik was sent to a camp in north-central Russia. He had started a hunger strike before his trial began. On March 27, four months after beginning his fast, he died. The hunger strike is a traditional weapon of prisoners in the Soviet Union. Vladimir Bukovsky, a well-known Soviet dissident now in the West, recorded in his memoirs that fasting can bring at least modest results for the prisoner willing to attempt it.

Soviet prison regulations require authorities to prevent hunger strikes from succeeding. Many former prisoners report that they were moved quickly to prison hospitals and subjected to force-feeding before their fasts went on very long.

Mr. Kukik, too, was force-fed, and some of his friends believe that overzealous treatment may have caused his death, which is thought to be the first in such circumstances in many years. Officially, his death was attributed to emphysema, irregular heartbeat and intestinal distension.

Prisoner's Grave

Soviet officials refused to allow the body to be returned to Estonia, but did allow Mr. Kukik's widow, Silvi, and five friends to travel to Vologda, Russia, for a funeral and burial on March 30. She was out alone to see the official death certificate.

Apparently afraid that the grave might become a focal point for more nationalist agitation, the Soviet police insisted that Mr. Kukik be buried far from home in a typical prisoner's grave, marked only with a wooden post giving his prison number.

Mr. Kukik was sentenced to a relatively light 2 years. Mr. Niklus, a photographer who first got into trouble in 1958 for sending pictures of the Tallinn slums to Finland, was sent away for 15 years. The Kukik story provides a classic example of the Kremlin's growing difficulty with nationalist agitation among many of the 200 disparate groups that make up the huge, polyglot Soviet population.

In the current edition of a party youth magazine, Viktor Chebrikov, a deputy chief of the KGB, made a rare admission of substantial unrest and criticism of the government. He said that some nationalists "appeal to the separation of this or that republic from the U.S.S.R."

Although the right of separation for the 15 republics is guaranteed in the Soviet constitution, anyone who advocates secession is considered a criminal. Nationalists, the KGB officer

went on, preach "racist views about the 'superiority' of one people over another [and] try to appeal to chauvinist sentiments and inspire the wish to emigrate."

Estonia, the smallest of the Soviet republics in population, is usually considered less nationalistic than Lithuania, the Ukraine, Georgia and Armenia, all of which have a long history of political dissidence.

Like the other Baltic republics, Lithuania and Latvia, Estonia was swallowed up by Stalin in 1940 in return for signing a nonaggression pact with Nazi Germany. The three tiny states had been independent since World War I, specifically excluded from the Soviet borders after the Russian Revolution of 1917.

Increasing Tension

Since the beginning of the peaceful Polish revolution last summer, tensions have reportedly increased in Lithuania.

Estonia, too, has been tense, apparently because young people are fearful of losing their national identity. Many Estonians have followed the Polish example by watching newscasts from Finland, the only country where a kindred language is spoken.

Mr. Kukik was born in 1940. He was graduated from the ancient University of Tartu and later became an assistant professor of chemistry there. He became a Communist Party member and was considered secure enough to be permitted to work in the West. He apparently started questioning the Soviet system in 1976 and 1977, after he returned to Estonia from a rare 10-month leave working in a Paris laboratory.

In May, 1978, Mr. Kukik resigned from the party. He signed a protest against the Soviet invasion of Afghanistan in 1979 and supported the limited boycott against the Moscow Olympic Games.

40 Intellectuals

He was arrested in March, 1980, and in typical Soviet fashion was sent to mental hospitals in Leningrad and Moscow for investigation of "aberrant behavior." Then he was returned to Tallinn for trial.

In October, young Estonians demonstrated for days against deterring living conditions in what had been the most pro-

perous Soviet republic, against increased "Russification" of their country and excessive industrialization of the Tallinn region.

Forty leading intellectuals supported the youngsters with a letter to the authorities. They were brought in for questioning by the KGB. On Feb. 24, Estonian National Day, young people took to the streets again despite the presence of extra police and troops.

These events in Estonia, and similar incidents in other Soviet republics, are a quiet counterpart to the more conspicuous national conflicts raging in Northern Ireland, Lebanon, and other parts of the world.

But these incidents, 40 years after the Baltic republics lost their freedom, show the irrepressible power of national feeling, even under so strict a form of political control.

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A Plan for Salvaging Schmidt

By Joseph Kraft

WASHINGTON — America's best friend in the world today is probably the chancellor of West Germany, Helmut Schmidt. But Mr. Schmidt, currently visiting Washington, faces grave political troubles at home.

So the United States ought to be thinking hard about what it can do to help him. Like maybe having President Reagan engage at this time to visit West Germany as Mr. Schmidt's guest.

West Germany's role in the world defies, in part, Mr. Schmidt's special importance. The Federal Republic boasts the strongest economy in Europe and the most impressive conventional armed forces. It fronts on the Soviet bloc, and it is geographically central to the defense of Western Europe. It maintains multiple ties with Eastern Europe, and leads the way in working to loosen Soviet control over other nations in the Communist bloc, especially Poland.

The weak condition of other leading European allies serves to enhance Mr. Schmidt's value to the United States. Margaret Thatcher, with her hands full of managing Britain's domestic economy, is of limited use as an ally.

Francis Mitterrand, the newly elected president of France, has yet to define his regime and its relation with the Communist Party. If he names Communist ministers, Italy may be tempted to follow suit. Even if he doesn't, he will probably come out in opposition to the United States in such areas as Latin America and Africa.

Only Condition

The internal troubles burdening Mr. Schmidt arise in large measure from his willingness to stand up as a friend of the United States in its struggle against the Soviet Union. He went further than any other European leader in applying sanctions against Russia after the invasion of Afghanistan. In December, 1979, he played the key role in a NATO decision to offset the Soviet buildup in Eastern Europe by modernization of theater nuclear forces in Western Europe.

Mr. Schmidt's only condition was that there be simultaneous arms control negotiations between the United States and the Soviet Union to limit deployment of the medium-range missiles on both sides.

The opposition to Mr. Schmidt in West Germany comes chiefly from his own Social Democratic Party, and focuses on the missile decision. The left wing of the Social Democrats, grouped around party leader Willy Brandt, charges that the decision works to compromise West German relations with the East Bloc — including a fair prospect for improving ties with East Germany.

More recently, as part of the attack, the left-wingers have been asserting that the Reagan administration has no serious intention of negotiating an arms control accord with the Soviet Union.

The spread of such views could easily deal a quick death blow to the chancellor. The Social Democrats govern in coalition with much smaller Free Democratic

Party. If the Free Democrats are strongly committed to the missile decision, "became" of the Social Democrats we to renounce, they would switch and join the Christian Democrats, and join the Christian Democrats in opposition in establishing a new government.

The upshot would be the ouster of Mr. Schmidt. Schmidt would mean the conversion of the Social Democrats to die-hard opponents of the NATO decision to modernize nuclear forces in Western Europe.

Just before coming to power, Mr. Schmidt forced a vote on a head. In a series of he made it plain he was resigning if the Social Democrats went back on nuclear modernization.

Even that threat may not be enough to stem the tide. Social Democrats probably go into opposition. Other Germans, including the Social Democrats, will stay with Mr. Schmidt only if they are convinced that the United States stands behind him.

So the chancellor's survival depends on what he can do in Washington. The Reagan administration already taken some steps. It has agreed to a new arms control negotiation with the Soviet Union. Mr. Schmidt's last week has been the terms of negotiation with Ambassador Anatoliy Gromyko. A considerable Federal Reserve Chairman Arthur F. Burns has been appointed ambassador to Bonn.

But with so much at stake, Europe, slipping toward the edge of a far larger general war, is unduly concerned. What the president could do to save Mr. Schmidt is to visit West Germany in 1982 — perhaps on the anniversary of that high point in the relations, the Marshall Plan.

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U.S. Insurance Companies Aiming at World Market

NEW YORK — A surge in foreign investment in the United States and the push by U.S. insurance brokers to expand internationally are opening a new area of growth for some brokerage firms.

U.S. insurance brokers have been gradually expanding their foreign networks since the end of World War II. But the move to merge with the major London brokers, thus aligning the two dominating markets in the field and forming what is commonly known as the "megabroker," is a recent trend.

In 1978, the U.S. company Frank B. Hall acquired Britain's Leslie B. Godwin. But perhaps the most dramatic acquisition took place last year when the largest U.S. brokerage firm, Marsh & McLennan, took over C.T. Bowring & Co., a diversified financial services company and Britain's largest insurance broker. After paying \$569 million in cash and stocks for the company, M & M became the first U.S. company to gain access to the world's only major insurance underwriting exchange, Lloyd's of London.

Worldwide Offices

This takeover followed a decade of purchases of smaller foreign brokers and foreign equity investments by M & M, and highlights the company's basic goal: to get more foreign corporate clients, to improve its ability to serve U.S. multinationals through its subsidiaries abroad and to be closer to its foreign underwriters.

M & M has 521 offices — 186 in

Britain, 167 in the United States and the rest mostly in the developed world — according to the company's senior vice president and area manager for Europe, Harold Talbot.

Although the Bowring takeover presented some problems for M & M — some key employees quit after the acquisition — the company's revenues have increased substantially. Operating revenues rose 28 percent, from \$330.6 million in 1979 to \$677.3 million in 1980, and income rose 23 percent, from \$82.2 million in 1979 to \$100.7 million in 1980.

Production Sources

"There has been an immense increase in worldwide insurance revenues in the past 10 years, basically because of the company's foreign acquisitions policy," Mr. Talbot said. M & M's foreign operating revenues rose from \$39.8 million in 1975 to \$65.2 million in 1979 and \$153.5 million last year.

A result of this growth outside the United States is that the company's associated firms are also broadening what they can offer multinational clients, Mr. Talbot said.

Edgar Clark, a vice president in the international division of the U.S. broker Alexander & Alexander, made the same point: "In the past, we relied on our foreign friends more as service operations. Now they are sources of production."

Alexander & Alexander, the second-largest U.S. insurance brokerage firm, has also been expanding

its worldwide operations. It operates in 44 countries through wholly owned offices, joint ventures and correspondent relationships.

In 1979, it acquired 106 new international clients, and last September it was chosen to manage insurance coverage for the \$10-billion new Jidda International Airport in Saudi Arabia. But perhaps the company's most important development was its decision last December to merge with the internationally known London broker, the Sedgewick Group Ltd.

Although the merger is planned for next year, it will probably take five or six years before it is operational, Mr. Clark said. The merger, he said, will eliminate the competition between the two firms, create new business and bring to each company the other's specialized knowledge — Sedgewick's in wholesale insurance broking and re-insurance, A & A's in technological techniques such as computer systems and self-insurance claim operations.

American Approach

According to Mr. Clark, American insurance brokers are superior to non-American ones in non-insurance related services, self-insurance, contractual transfers and their approach to risk management.

"The average non-American approach to risk is buying more insurance. Our approach is that, if a company is sure to have a loss, it should be quantified and controlled. American brokers are also less interested in boosting the American insurance market

abroad than exporting American insurance techniques to foreign countries," he said. This probably explained why developing countries in the Middle East, for example, "are more open to American brokers than British ones, who until recently have not necessarily been geared to their needs."

The merger between A & A and Sedgewick, he said, will also "give us the opportunity to spread risk further internationally because of the greater participation of the insurance companies we both deal with, and it will affect our ability to serve foreign business in the U.S."

"Reverse flow business [foreign companies investing in the United States that need insurance policies] has been growing by leaps and bounds, particularly with the increase in foreign takeovers of U.S. companies in the past few years," said Rudy Portier, vice president of the international department of Johnson & Higgins, the third-largest U.S. insurance brokerage firm.

The growth really began with the oil crisis in 1973, Mr. Portier said. He estimated that there was a sevenfold to tenfold increase in the number of foreign clients his company had in the United States during that period.

No Leap

Mr. Clark of A & A said, "We've been doubling our number of foreign clients in the past two years and see no leap. Foreign business in the U.S. is the most rapid area of growth in our U.S. business today."

Foreign business accounts for about 5 percent of A & A's total business, and foreign business in the United States has grown from about \$1 million in commissions two to three years ago to about \$6 million today, he said.

The U.S. companies have had to adapt to their new dealing because insurance methods can vary widely from country to country. In Europe, Mr. Talbot of M & M explained, "workers' compensation is usually covered by some aspect in the national social security system; here it is insured privately. No-fault auto insurance is common in the U.S., not in Europe. Loss prevention is more pervasive here, with vast differences in premiums. And our whole approach to product liability and liability of any kind is very different."

Less Coverage

He noted that many U.S. lawyers take liability cases on a contingency fee basis, taking a percentage of whatever a court awards the injured party, but nothing if the court decides against the party. "In Europe you must pay the lawyer whether you win the case or not. So you are taking a greater risk by going to court," he said.

According to Mr. Clark of A & A, European companies tend to take less coverage in certain areas than U.S. companies. "It takes them a few years — until they are hit with a loss — before they take full coverage," he said, noting that Japanese as well as Middle Eastern clients have generally been more open to U.S. insurance practices.

To deal with the influx of foreign business in the United States, U.S. insurance brokers and large international insurance companies are improving their international services. At Johnson & Higgins, Mr. Portier said, "we have people in each of our offices trained to deal with foreign business and we are developing a new department to deal with reverse flow business. This business is now passing through our international department in New York, where we have special teams devoted just to it."

A private insurance company, American International Group, has created a department to take care of multinational insurance needs on a package basis. The vice president for global accounts, Arthur Phillips, explained: "Before, a large international company would often see four or five insurance companies in the U.S. and abroad to take care of insurance needs. Now the company can see us for all of them and it will be less expensive, with fewer gaps in coverage."

William Crowley, a vice president of AFIA Worldwide Insurance, another U.S. insurance company, said: "By concentrating your buying power with one company, losses in one country won't hike up overall insurance premiums as much as with two separate programs from two different companies. There is a new global concept in insurance coverage which international insurance brokers and companies are best equipped to handle."

— LINDA BERNIER

Accounting Practices Undergoing Changes

(Continued from Page 75)

records as are necessary to support the information shown in tax returns.

This contrasts with the common European requirement for a detailed chart of accounts and specific types of accounting records. The controversial U.S. Foreign Corrupt Practices Act of 1977, which prohibits bribery by companies abroad, also requires public companies to have a system of internal control that meets specified objectives. Briefly, the law requires all public companies to devise and maintain internal control systems sufficient to provide reasonable assurance that assets are safeguarded and transactions properly authorized and recorded, and to keep reason-

ably detailed records that accurately reflect the company's financial activities.

Except for those companies whose stock is listed on a stock exchange and those companies whose stock is sold over the counter and that have more than 500 shareholders and assets of more than \$1 million, most companies are not required to have annual audits. This contrasts with the more extensive statutory audit requirements in most European countries, which presently result in many private companies being audited and which will be expanded considerably under the Fourth Directive.

Various government regulations and private business practices in the United States are such, however, that most organizations of any size do have annual audits. For example, even small businesses may be asked to provide audited financial statements to banks and other creditors.

With the exception of the United Kingdom and the Netherlands, the response in Europe to the financial reporting challenge posed by a high level of inflation has been limited. In the United States, it has consisted of an experiment by large companies, the result of which will be the basis for establishing some sort of inflation accounting requirement for all parties.

There are many other differences in accounting practices and disclosures between Europe and the United States, last-in-first-out method of accounting for inventories used in United States, which is generally not acceptable in Europe; dated financial statements; no translation practices; deferred taxation. While these differences complicate the investment analysis process, their effect generally is quantified by one familiar with both European and U.S. accounting, and their impact assessed considering an investment in United States.

In conclusion, while it is important to be aware of differences in accounting and auditing practices that exist between the United States and Europe, it is equally important to recognize that the type of financial information is dependent on a company's management and its financial position on the country. If the company tends to be conservative financial policies and practices, has qualified staff and a sound system of internal control, it is to have very useful and reliable financial reports. Where a company lacks these capabilities and support of management, the type of its accounting information will suffer accordingly.

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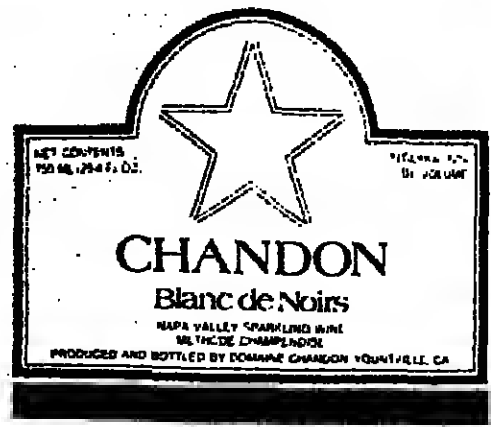
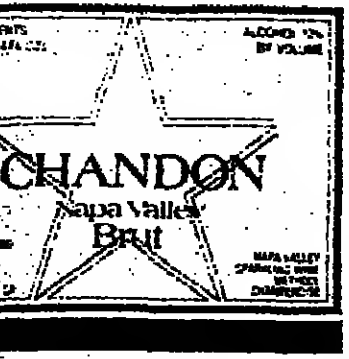
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Wine

The industry in California is becoming an increasing target for foreign investors, as the quality of the product increases. They come from Japan, Indonesia, Thailand, Canada, West Germany, Italy, Spain, and particularly France.

SAN FRANCISCO — California has been known as a wine country since the 19th century, but until the last few years it was not a major player in the international market. Now, however, it is becoming a target for foreign investors, as the quality of the product increases. They come from Japan, Indonesia, Thailand, Canada, West Germany, Italy, Spain, and particularly France.

accounts for 1 percent to 2 percent of total investment in California wine production. So far, foreigners have put about \$125 million in California wineries, said Louis Gomborg, a San Francisco-based wine industry expert. This does not include investment in vineyards in California, a prime agricultural area. "The opportunity to transfer funds from possibly shaky currencies to a more stable U.S. dollar has made the U.S. a kind of fiscal haven for foreigners," said Mr. Gomborg, who has been a wine industry consultant for 46 years.

Champagne French Champagne interests have made the largest investments in California wine production, with Moët-Hennessy leading. So far, it has invested about \$25 million in Domaine Chandon, which it founded in 1973 on 900 acres in the Napa Valley. The company's success has been impressive. It sold about 20,000 cases of its two varieties of sparkling wine when they first reached the market in 1977. This year, it expects to sell about 115,000 cases. In 1983, it hopes to sell about 250,000 cases.

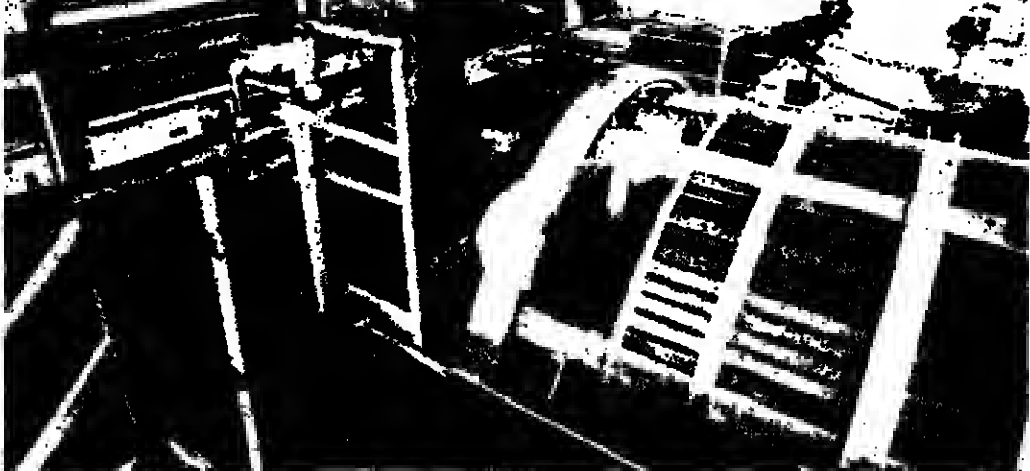
With Champagne production running at capacity in France and with worldwide demand increasing, Moët-Hennessy embarked on a policy in the 1960s of exporting its Champagne-making technology as well as its Champagne. The company opened its first foreign plant in Argentina. Others followed in West Germany, Austria and Brazil.

The sparkling wines are produced for local consumption and do not compete with its French Champagne, Moët-Chandon, a company spokesman said. On the contrary, he said, U.S. sales of French Moët have increased since Domaine Chandon wines reached the market — probably because the California sparkling wines (about \$12 a bottle) have stimulated interest in the more expensive French Champagne.

Moët-Hennessy's success encouraged the 200-year-old French Champagne producer Piper-Heidsieck to embark on an \$8-million project with Renfield Importers Ltd. of New York to build a major sparkling wine facility at Sonoma Vineyards in Windsor, Calif.

Ground-Breaking The ground-breaking for the winery took place on March 16 and construction is to be completed at the end of the year. About 35,000 cases of three varieties of the new "Piper-Sonoma" now being produced at the vineyard's existing facilities will be available at the end of 1982. By 1985, the company expects more than 100,000 cases to be available. The wines, priced at \$12 to \$13 a bottle, are being made according to the méthode champenoise with Piper-Heidsieck equipment and expertise.

Wine-making expertise is not exclusive to the French, however. "The French and many other foreigners have been coming over in droves for the past 20 years to learn new wine-making technology at the University of California at Davis," Mr. Gomborg said. While the French have taught Californians their age-old methods of making fine wines, Americans have taught them such techniques as using stainless steel for fermentation, and centrifugation for filtering wine.



Top left: Labels of sparkling wines from Domaine Chandon. Above: Eight-ton-capacity press imported from France for Piper-Heidsieck/Sonoma Vineyards/Renfield venture.



Michel LaCroix (left), cellar master of Piper-Heidsieck of France, met Sonoma wine master Rodney D. Suong during a visit to Sonoma Vineyards in Windsor, Calif.

'Smokestack Chasers' Become Sophisticated

(Continued from Page 75)

incentives and financial assistance as Americans. And state agencies offer a wide variety of them: industrial revenue bonds, local and state government bonds issued on behalf of a company, which are federally tax exempt — low interest rates, property tax exemptions, depreciation allowances, manpower training, low interest, long-term loans and, in a few cases, loan guarantees and equity financing.

While many states still spend a lot of money to encourage investment, they are beginning to feel that most growth comes from expanding existing business, said Marsha Clark, director of international trade and investment programs for the National Association of State Development Agencies. She said that of the \$8.5 million that state development agencies spent in 1980 to promote trade and foreign investment, 66 percent went to promoting exports and 33 percent went to promoting investment.

Florida to Open Insurance Unit

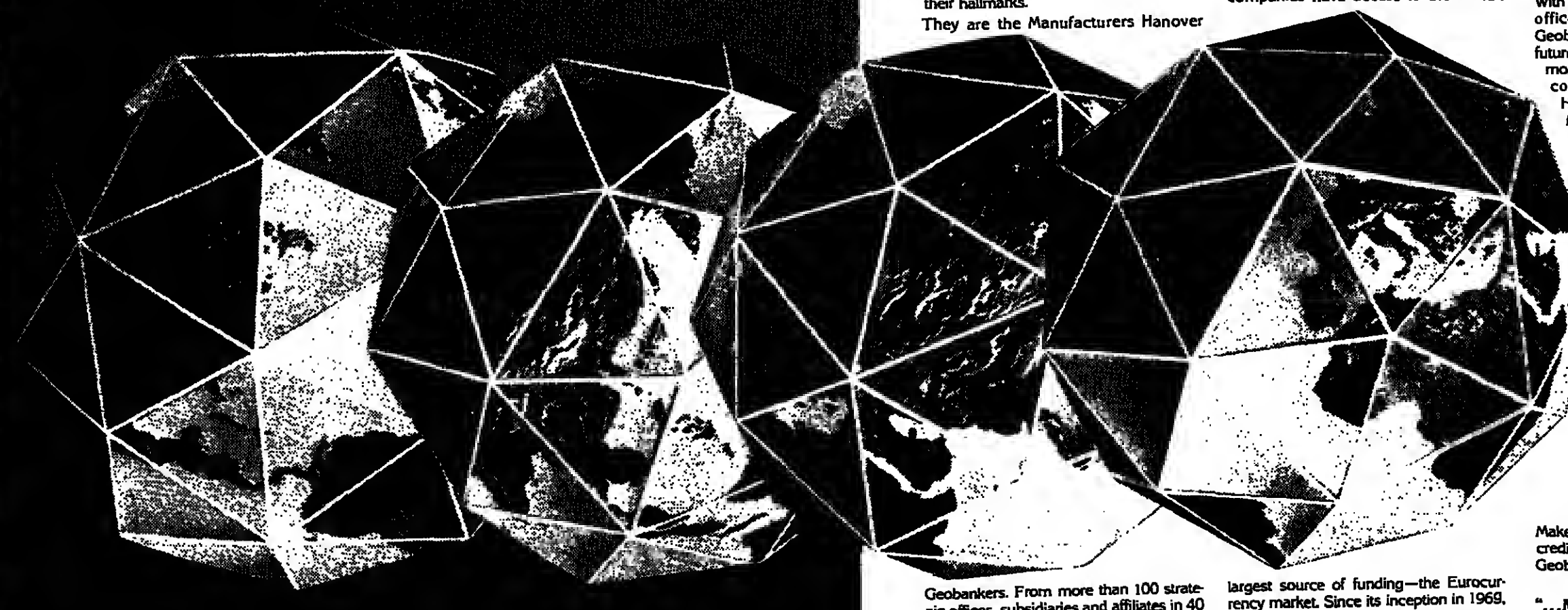
Washington Post Service

MIAMI — An Insurance Exchange of the Americas styled after the high-risk ventures of Lloyd's of London is scheduled to open next year in Miami.

The exchange is aimed at capturing some of Lloyd's \$12 billion in annual business, particularly in Latin America, where oil wells and skyscrapers will be among the costly insurance risks associated with future industrialization and modernization.

Miami financial leaders view the exchange as a step in changing the economic character of south Florida.

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Foreign Banks Make Inroads in U.S.

NEW YORK — A negligible factor in the U.S. banking community in 1970, overseas banks have widened their influence during the last decade to the point where almost one-quarter of the loans floated in the United States in 1980 were made by the U.S. offices of foreign banks.

During the 1970s, 200 U.S. offices were opened by foreign banks. By midyear 1980, 14 foreign banks had \$1 billion of loans or more on the books of their U.S. offices. Of total bank loans of

\$154.7 billion, U.S. offices of foreign banks had \$38 billion. In addition, the foreign banks had registered \$35 billion in deposits.

The International Banking Act of 1978 brought foreign banks into closer conformity with the requirements placed on U.S. banks. Previously, foreign banks had been able to open offices in any state, unlike U.S. banks, which are basically limited to one-state operations.

Under the 1978 act, however, foreign banks that already had set up offices in several states were allowed to keep those.

Such advantages tend to rattle U.S. bankers a bit, giving them ammunition in the fight to end the one-state banking rules. "What American-origin banks are looking for," said James Murphy, executive vice president of the New York State Bankers Association, "is a level playing field. The advantages of the foreign banks, as well as the growth of money market funds, which don't have any banking-law constraints at all, have underlined the necessity to consider interstate banking."

An examination of the list of leading foreign banks in the United States and the nature of their loans, however, indicated that the foreign banks may have less influence on mainstream business than figures suggest.

Japanese Banks

The leading bank in terms of loans is the Bank of Tokyo, which is not a newcomer — it has been operating in the United States for more than 100 years. Its U.S. offices have a loan portfolio of \$1.98 billion. Second place overall is occupied by another Japanese institution, Fuji Bank Ltd., with a loan business of \$1.7 billion.

A recent analysis of the loan portfolios of Japanese banks in the United States by American Banker, the industry newspaper, shows that 50 percent of their money is loaned to companies domiciled outside the United States. It is going largely to Latin American companies, including some to subsidiaries of U.S. multinationals. It can be assumed that a large part of these loans is going to the two Latin American boom countries, Mexico and Brazil, where the Japanese have a strong business presence.

Most of the rest of the loan portfolios of Japanese banks go to Japanese companies trading in the United States. These often follow

relationships of long standing between bank and company in Japan.

The largest European bank in the United States is Swiss Bank Corp., with a loan portfolio of \$1.4 billion largely concentrated on loans to U.S. companies. Swiss Bank Corp. has a large staff in the United States — 900 employees — but half of them deal with the buying and selling of foreign exchange.

To obtain funds for its loan operations, Swiss Bank Corp. has begun issuing its own commercial paper — obligations that the bank promises to repay — thereby saving money on the more traditional method of obtaining funds, the marketing of certificates of deposit to depositors. Swiss Bank also made one of the major loans of the last year: a \$400-million credit last fall to Amer. Inc.

While the Japanese banks tend to rely on home contacts for their business, European banks use the aggressive loan marketing typical of U.S. banks. They have "calling officers," whose job is to drum up loan business. Swiss Bank has 40 calling officers and the French bank Credit Lyonnais has 50 in the United States.

With the decade-long influx of foreign banks and the resultant increase in competition for loan business, there has undoubtedly been a profit squeeze on foreign banks attempting to get a foothold in the U.S. market. The competition has made New York — where most foreign banks set up — a buyer's market for loans. This is especially true for the most credit-worthy companies, which also have the option of issuing bonds or commercial paper.

The profit squeeze has affected U.S. banks, which have sought other ways to make money. During the last decade, there has been an increase in the kind of fixed-fee services that banks are offering to customers: advice on issuance of commercial paper, arranging of mergers, portfolio management, securities trading and merchant banking.

"It's part of becoming a value-added institution," said David O. Beim, executive vice president and head of the corporate finance department of Bankers Trust, one of the leaders in such internal diversification. "If a bank offers money and nothing else, it will get average returns. If it can add value, it will get much better returns."

Outlays Cut Back in Some Energy Areas

WASHINGTON — Although this year might not be as spectacular as 1980 for the oil industry, everything from U.S. administration policy to industry activity indicates that 1981 will be a good year indeed.

Other energy sectors — coal, gas, nuclear power, synthetic fuels and solar power — are expected to grow, but not nearly as much as these sectors planned several years ago, when enthusiasm for alternative energy sources was at a peak.

Government regulatory constraints and high investment costs have slowed much of the development of alternative energy sources. While the Reagan administration has vowed to remove many of these constraints — by decontrolling oil and gas prices, relaxing environmental safeguards and accelerating the leasing of federal lands — this should prove most beneficial to the oil, gas, nuclear and coal industries.

"This administration is backing off from synthetic fuels, solar and other renewable sources, making them considerably less attractive," a Department of Energy spokesman said, noting that the administration preferred to back new energy investments with tax credits rather than through direct backing. Since banks are reluctant to invest in first-time projects, this policy does not augur well for companies involved in alternative energy development, except, of course, for the big oil companies.

U.S. Cutbacks

The government, which budgeted about \$4.7 billion last year for energy research and development, is planning to cut back to about \$4 billion. The Energy Department budget for 1982 proposes research and development cutbacks from the 1981 budget in most fields — from \$625 million to \$241 million in solar and other renewable energy sources, from \$736 million to \$381 million in coal, from \$58 million to \$44 million in petroleum and from \$28 million to \$11 million in gas.

Requests are up, however, in magnetic fusion — from \$383 million to \$460 million, and in nuclear fission — from \$1.16 billion to \$1.24 billion.

A Department of Energy official estimated total energy investment in the U.S. at \$100 billion to \$125 billion a year. A good portion of this investment comes from the oil industry, which, although it benefits from depletion allowances and tax breaks, relies little on direct government financial assistance.

The oil industry increased its worldwide capital and exploration expenditures to \$46 billion in 1980, a 31-percent increase from 1979 expenditures. It plans a further increase, to more than \$56 billion this year, according to the American Petroleum Institute. About 90 percent of that investment is for petroleum and chemical operations, with

only 2 percent for other energy development and 8 percent for non-energy metals, a petroleum institute economist said, adding that about 67 percent of last year's capital and exploration expenditures went for U.S. operations.

While some experts point out that the world surplus of oil, the recession in Europe and increasing energy conservation in the United States may curb the rise in oil prices, others believe that prices will continue to rise.

Consumption Down

Energy consumption in the United States has continued to decline — from 39 million barrels a day of oil equivalent in 1979 to 37.6 million barrels a day last year, according to Energy Department statistics. But Americans are still relying on oil as their major source of energy. Last year, they consumed 16.9 barrels a day of oil, imports of oil have also declined — from 7.9 million barrels a day in 1979 to 6.3 million barrels a day last year, according to the department.

Coal is another energy sector that has been growing — at about 5 percent a year in the last few years — and this is expected to increase should certain restraints be eliminated, a spokesman for the National Coal Association said. He noted that coal production had increased from 679 million tons in 1975 to 830 million tons last year, with an average production estimate for 1990 at 1.35 billion tons.

Regulatory constraints have sharply curtailed investment in the nuclear industry, an Energy Department spokesman said. The Reagan administration has promised to remove constraints, and Congress is expected to pass a bill that could cut by half the 12 years it now takes to fulfill licensing requirements and approval for a nuclear facility. These factors, an Energy Department official said, "might revive the nuclear option in a couple of years."

As for synthetic fuels, a spokeswoman at the Synthetic Fuels Corp. said, "Reagan said he was behind synthetic fuels. But there's a feeling that he plans to limit government involvement and leave it to the private sector."

The administration has proposed to cut \$2 billion from the \$19 billion allotted by Congress through 1984 to the Synthetic Fuels Corp. This privately run corporation was established by Congress last year to assist private development of synthetic fuels with loans and loan guarantees, purchase commitments and, in some cases, joint ventures. About 63 project proposals are awaiting approval.

Investment in coal liquefaction — turning coal into crude oil — looked like one of the most attractive of the synthetic fuel technologies, which include tar sands, coal gasification and oil shale. But high costs and the technical complexity of the process have limited investment to a few federally funded coal liquefaction projects. In the meantime, there are more than a dozen commercial scale coal gasification projects under way.

Among those who have not given up interest is the Fluor Corp., which is working with the Texas Eastern Corp. under a \$24.3-billion Energy Department contract to design 56,000-barrel-a-day plant in western Kentucky to produce natural gas, transportation fuels and chemicals.

The Dynalene Corp., which began small-scale pilot project last summer, working with the Ashland Oil Co. under \$7-million Energy Department contract design a 50,000-barrel-a-day plant to built in the mid-1980s. And the Gulf Corp. is building a \$1.4-billion plant in Morgantown, W.Va., to produce gas, refined petroleum gas, fuel oil and naphtha. This project is funded by the Energy Department and the governments of West Germany and Japan.

Solar Energy

Solar energy is another industry that peered a lot more development than it is today. Two years ago, the industry hoped federal incentives would increase sales to \$150 million to \$800 million by 1980. Now, after sales reached an estimated \$250 million last year, the solar industry is curbing expectations to \$700 million in sales by 1990.

While the government attributes the slow growth to the solar industry's failure to develop reasonably priced products that meet consumer needs, the industry blames government for failing to come up quick enough with promised help.

Because alternative energy sources are so profitable, few foreign companies are investing in these areas in the United States, according to an official at the International Trade Administration of the Department of Commerce.

Except for restrictions in the nuclear area, including the prohibition against exporting uranium, foreigners are welcome to invest. U.S. energy industries and are eligible for same assistance as U.S. firms.

Most foreign energy investment is in petroleum industry — \$9.9 billion worth in 1979, an increase from \$7.8 billion in 1978. About 64.6 percent of this is from the Netherlands (primarily Shell Oil), 16.7 percent from the rest of Europe, 9.5 percent from Canada and 7.5 percent from Latin America, according to the Energy Department.

Foreign companies have invested in oil, energy fields as well. West German groups have bought coal land in Kentucky for coal liquefaction and gasification, and are prospecting for uranium in Georgia. The French are prospecting for uranium in California.

— LINDA BERNI

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|---|-----------|-----------|-----------------|------------------|
| | 1981 | 1980* | Increase Amount | Increase Percent |
| SALES | \$1,481.9 | \$1,369.5 | \$112.4 | 8.2% |
| NET INCOME | \$ 83.0 | \$ 65.8 | \$ 17.2 | 26.1% |
| EARNINGS PER COMMON SHARE | \$ 1.75 | \$ 1.41 | \$.34 | 24.1% |

* Restated for pooling of interests.

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Figuring Out Worth of T-Bills Requires Higher Mathematics

By Michael Quint
New York Times Service

NEW YORK — Investors, lured by high interest rates, have been going in droves into Treasury bills. The bills pay far more than a savings account, and the nearness of maturity — three months to a year — protects the investor against loss of principal. No matter how high interest rates go, and how much Treasury bill prices might then decline, the U.S. government guarantees that at the bill's maturity the investor will be paid the full face value of the bill.

As comforting as all that may seem, not everyone wants to hold a bill to maturity, nor does everyone get in on the ground floor of a bill sale. When faced with a need for cash, an investor may want to sell. When suddenly blessed with cash, an investor may want to lock quickly onto an issue that is already on the market. But how does one find out the value of one's holdings or the price of an outstanding bill?

The answer is not easy. Unlike the stock market, where the results of each day's trading are widely published, there is no exchange for the trading of Treasury bills. Once these bills have come out, the only market is over the counter, where a few dozen dealers connected by telephone buy and sell Treasury bills and other government securities.

Among dealers, the price is a matter of bargaining between the buyer and the seller.

The individual does not deal di-

And Seller Pays An Exit Charge

rectly with those traders, but the price he pays or sells at is closely linked to the over-the-counter market. Typically, the individual gives instructions to a salesman or registered representative who then confers with the government securities department to tell the investor the going rate.

At weekly auctions of three- and six-month bills, and at the monthly auction of one-year bills, the price an individual pays is set at the average of the competitive bids submitted by securities firms.

When the Treasury is selling \$4 billion of six-month bills, for example, it first sets aside an amount of bills equal to the "noncompetitive" tenders — which includes the vast majority of individual buyers — that it received.

Discount Rate
Then it awards the remaining bills to the competitive bids, starting with the highest prices offered and working its way down until it gets the full \$4 billion, including the portion set aside. The rate for the noncompetitive tenders is the average of the competitive bids accepted by the Treasury.

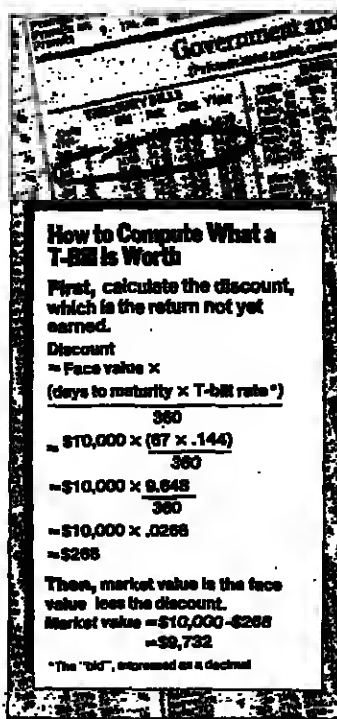
After buying a Treasury bill, the investor can follow the discount rate for the issue in many U.S. newspapers, which publish daily a bid and asked price expressed as a

percentage interest rate. The bid price is the first number printed, and the asked, or offered, price is the second. For example, bills due July 9 carried a bid of 14.40 recently and an asked of 14.32, meaning that someone was willing to buy that bill at a discount rate of 14.40 percent and someone was willing to sell at a rate of 14.32 percent.

But the discount rates do not tell the investor the dollar value of his Treasury bill. To compute the dollar price, the investor must use the discount rate and the maturity of the bill to figure the dollar value of the discount. The value of his bill is then equal to the face value less the discount.

To figure the dollar value of the discount, the investor who wants to sell multiplies the bid discount rate published in the paper by the number of days to maturity, then divides by 360. He multiplies the result by the face amount of the bill, and the result will be the dollar value of the discount. Let us assume, for example, that on May 4 the Treasury bill due July 9 was bid at a rate of 14.4 percent. For a \$10,000 bill, the discount is \$268 and the bid indicates that someone is willing to pay a price of \$9,732 for the bill.

At least, that would be the price if the bid holds. But the bid will change depending on the latest developments in the credit markets, and at times these changes have been dramatic enough to raise or lower the discount rate a full percentage point between weekly auctions.



Once the investor has figured roughly what the bill should bring, then checked to see if rates have changed much, there is another little hurdle to be faced. The standard fee among securities firms and banks in New York for Treasury bill orders of less than \$100,000 is \$25. That is applied to each transaction, so the total would be \$50 if one bought and sold one bill. Of course, by purchasing a Treasury bill directly at a Federal Reserve Bank or from the Treasury, the investor can avoid the purchase fee. Similarly, the fee can be avoided if one holds the bill until maturity.

Currency Futures: Tale of 2 Cities

By H.J. Maidenberg
New York Times Service

NEW YORK — While foreign-currency trading may be dormant on the New York Futures Exchange, the market in the "ultimate commodity" is alive and booming in Chicago.

Indeed, the turnover in currency futures in March soared 25 percent, to 452,000 contracts, on the International Monetary Market of the Chicago Mercantile Exchange, which developed the market almost a decade ago.

By comparison, New York's market in Canadian dollars, British pounds, West German marks, Japanese yen and Swiss francs appeared to be doomed from the day it started last August. After an initial flurry of activity, volume shriveled to only 56 contracts last January and 14 in February. Since then, no currency futures trades have been reported on the NYFE.

Although the best-laid plans for new commodity futures often go awry because of indifference on the part of trade hedgers and the equally vital speculative element (frozen shrimp futures was one notable example in Chicago in 1963), New York's currency market was given more than an even chance to succeed.

Money Capital
"For one, New York is, after all, the money capital of the world," said Richard C. Marquit, vice president-foreign exchange at Drexel Burnham Lambert Inc. "Secondly, NYFE's parent is the New York Stock Exchange, and many leading factors in the money market are members of the Big Board," he noted recently.

The first year of trading on the New York Futures Exchange has been a slow one, to say the least. Meanwhile, futures transactions in the 'ultimate commodity' on the International Monetary Market at the Chicago Mercantile Exchange are booming.

Moreover, Mr. Marquit said, most Big Board members joined NYFE and spent considerable sums on staffing and communications, just as they did when the Chicago exchanges began trading financial and currency futures in the early 1970s. "These markets took several years to develop," he said.

But Greg P. McKinney, Mr. Marquit's deputy, quickly noted: "Given the miracle of modern communications, the siting of an exchange is of little importance. The fact is that the Chicago Merc's IMM had an established and highly liquid currency-futures market going full blast when NYFE opened with the very same contracts."

At Conticurrency, the currency trading arm of the Continental Grain Co., John M. Bland, vice president, said: "Some think that geography may have hurt NYFE. While New York is the money capital, the banks here have traditionally been involved in making their own markets in foreign currency. True, the big banks don't cater to small trade hedgers and speculators as a futures market does, but they and other institutions and multinational corporations are themselves becoming major participants in the currency futures market."

On the other hand, the softening of oil prices means that West Germans will need to buy fewer dol-

lars for imported fuel, which sold for dollars. This of course strengthens the mark.

If, on the other hand, U.S. interest rates rebound beyond record levels of last December, which is expected by many market analysts once the Reagan administration's proposed spending starts, then West man investors will again need to invest in the high-yielding Treasury paper and financial instruments.

As it is, West German interest rates are about half of our levels," Drexel's specialists in this could put the mark at even greater pressure.

Fed's Move
Conticurrency's specialists noted that the U.S. Federal Reserve announced earlier this month that it would no longer intervene in the foreign exchange market, except in emergencies. "This is a move that the Fed will not be into the market in the aftermath of a crisis," Mr. Bland emphasized.

What it does mean is that the Fed will be making more use of currency futures.

For speculators, the leverage these contracts is the attraction. The initial cash margin for a currency futures contract is \$3,000. For this investment, a speculator can buy or sell \$25,000, 125,000 Deutsche marks or Swiss francs, 125 million Canadian dollars.

But these cash margins cash just as quickly as they induce profits. The minimum price move in the Canadian dollar futures is \$10, while it is \$12 in the other contracts. And moves of 25, 50 or more ticks become common.

First Quarter Report:

Tenneco's net income rises 9% on strong energy performance.

Tenneco reported the best first quarter in its history in 1981. Net income was \$194 million, up 9 percent from the \$178 million of last year. Operating revenues grew from \$3.3 billion to \$3.8 billion, a 15 percent increase.

The average number of outstanding common shares grew by more than 12 million, mainly because of stock issued last year in the acquisition of Southwestern Life Corporation; this accounted for a decrease in fully diluted earnings per common share from \$1.61 a year ago to \$1.51 this year.

Energy operations again led the way. Integrated oil continued its strong earnings performance and natural gas pipelines improved profitability. Shipbuilding and packaging also showed increased profits. Income from life insurance subsidiaries was higher because Southwestern Life's earnings were included in the recent quarter but not in the 1980 first quarter, since the acquisition became effective on May 1, 1980.

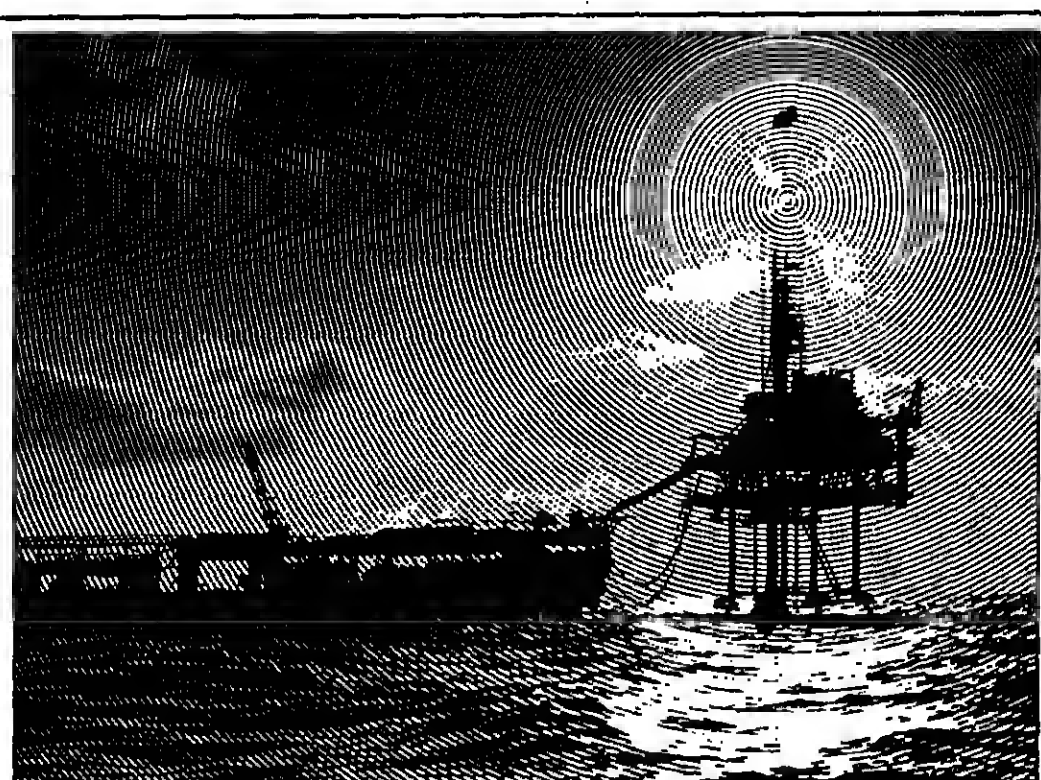
Shortly after the end of the first quarter the acquisition of Houston Oil & Minerals Corporation was effected. This brings added strength to Tenneco's energy operations, and the Company now has about 7.7 million undeveloped acres under lease in the major energy-producing onshore and offshore areas of the United States.

These quarterly results again demonstrate the importance of the heavy concentration of capital in our energy businesses over the past several years. In 1981 Tenneco will continue its aggressive exploration effort and will drill more wells than ever before. More than \$1.5 billion will be spent on energy projects this year.

Although energy contributes more than three-fourths of Tenneco's income, the Company continues to provide other basic needs, like food, construction and farm equipment, chemicals, ships, automotive components, packaging, and insurance.

That's Tenneco today: growing in energy...and more.

For more information about Tenneco, write Dept. HT-2, Tenneco Inc., P.O. Box 2511, Houston, TX 77001, U.S.A.



This development well in the Gulf of Mexico is part of Tenneco's \$1.5 billion commitment for energy projects this year.

Financial Highlights

(Millions Except Per Share Amounts)

| | First Quarter | | |
|--------------------------------------|---------------|---------|----------------|
| | 1981 | 1980 | Percent Change |
| Operating revenues | \$3,809 | \$3,316 | +15 |
| Net income | \$194 | \$178 | +9 |
| Earnings per share of common stock— | | | |
| Fully diluted | \$1.51 | \$1.61 | -6 |
| Dividends per share of common stock | \$.65 | \$.60 | +8 |
| Average number of shares outstanding | 118 | 105 | +12 |
| Capital expenditures | \$373 | \$306 | +22 |

Investor Information

Common stock: Traded on major U.S. and international exchanges

Price at 3/31/81: \$47 7/8

Price/earnings ratio: 8.0x

Composite daily volume:

 First quarter—102,266

 Latest twelve months—

 127,750 shares

High/low price range:

 First quarter—\$51 1/8 high; \$44 1/4 low

 Latest twelve months—\$58 1/2 high;

 \$31 1/4 low

Dividends:

 Current annual rate—\$2.60 per share

 Current yield (3/31/81)—5.5%

By Clare M. Reckert

NEW YORK — An old hand in foreign business activity, with operations in 46 countries, W.R. Grace & Co. has tripled its sales in the last 10 years.

From its vast line of products and services in the chemicals, fertilizer, natural resources and consumer fields, the 126-year-old company rang up sales of more than \$6 billion last year. They were less than \$2 billion 10 years earlier. J. Peter Grace, chairman and chief executive officer, has projected that sales will reach \$10 billion by 1985.

Investments in operations outside the United States came to \$467.7 million in 1980, up 14.3 percent from the year before. They contributed importantly to corporate sales, which set a record for eleven successive years. About 60 percent of earnings are derived from domestic operations and the balance from abroad.

With about 33 plants and more than 10,000 employees in Europe alone, operations there accounted for 34 percent of Grace's worldwide sales. During the last five years, European specialty chemical sales alone have increased 17 percent annually, while volume gained 14 percent for the Pacific-Inter-American divisions comprising Argentina, Australia, Brazil, Japan, Mexico, New Zealand and Venezuela. The next five years will see such business grow at a faster clip in Europe than in the United States, Mr. Grace said.

Chemical Producer

During the 36 years that Mr. Grace has headed the company, he transformed his grandfather's shipping-trading-banking company into a major international chemical producer. Then he added the fast-growing energy sector (oil, gas, coal, plus oil field equipment and services) and consumer operations, including specialty retailing and restaurants.

It was not an easy transition. Mistakes were made in some ac-

quisitions, particularly in the 1960s, so these were unloaded along the way.

Company results last year reached records despite an industry-wide chemical decline and general worldwide corporate profits. Net income rose 24 percent to \$284 million from \$229 million in 1979. Ten years earlier, the figure was \$18.6 million.

The continuing difficult economy has not lessened company confidence. It expects to exceed 1980 results and has posted another first-quarter record net of \$83 million, or 26 percent ahead of the \$65 million in the initial three months last year, on peak sales of \$1.5 billion, up 8 percent. Capital expenditures are projected at about \$700 million this year, the highest level in Grace history. The largest sum will go for natural resources and associated services.

This performance has captured the interest of two European companies that have invested in and become partners with Grace.

The most recent deal is an unusual arrangement, mutually beneficial. It gives the giant Dutch retailer, Vroom & Dreesmann B.V., a share of the Grace specialty retail business, with sales of approximately \$1 billion last year.

Half Interest

In February, the Amsterdam-based company agreed in principle to acquire a half interest in about 409 units. They include Harman's World of Sporting Goods, the do-it-yourself home improvement centers of Channel, Handy Dan, Handy City, Cashway, Orchard Supply; the J.B. Robinson Jewelers; Sheplers Western Apparel and Berman, the Leather Experts.

For more than \$250 million (the exact amount to be determined by future earnings) V & D will pay five annual cash installments beginning this year. The arrangement is in line with Grace's use of joint ventures in some chemical and natural resource activities, while conserving on capital costs.

(Continued on Page 135)

King Fifth Wheel Company

has been acquired by

Tube Investments Limited

The undersigned acted as financial advisor to King Fifth Wheel Company in this transaction.

WM SWORD & CO
INCORPORATED

May 18, 1981

Tenneco

TENNECO COMPANIES IN EUROPE INCLUDE:

ALBRIGHT & WILSON DAVID BROWN TRACTORS J.I. CASE COMPANY GEBR. BROSCH & S. POCLAIN SA (40% OWNED) TENNECO EUROPE
TENNECO CHEMICALS EUROPE TENNECO OIL COMPANY WALKER MANUFACTURING EUROPE MONROE AUTO EQUIPMENT-BELGIUM

هكذا من النجلى



One of Best-Kept Secrets

By Robert Metz
New York Times Service

NEW YORK — Phoenix Leasing Inc. calls leasing one of the United States' best-kept investment secrets, and the Mill Valley, Calif., company wants to change that so more investors will buy its partnership units.

What the 10-year-old company has done is to apply the limited-partnership format to lease contracts for such high-technology computer peripherals as cathode ray tube terminals, word processing printers, and disk and tape storage devices.

Phoenix buys title to equipment that has already been leased by the manufacturer to the end user — typically government agencies and, it says, companies with credit ratings equal to those enjoyed by Fortune 500 companies. "Thus, for example, Phoenix took title to minicomputer systems leased to the Treasury Department by a major manufacturer."

It may well be that the Treasury does not know that the equipment has been sold, for the user pays monthly leasing charges as before and the manufacturer remains responsible for maintenance and service.

Frozen Capital

From the manufacturer's point of view, tens of millions of dollars in frozen capital can be recaptured and used for research and development and further expansion of the business — the capital can be employed to produce immediate profits instead of deferred income.

Phoenix sets up a limited partnership and sells \$1,000 units, with a minimum purchase of \$2,000. The partnership uses the investor's dollar to buy the equipment and pays the investor as income. From the limited partner's point of view, the investment vehicle resembles a mutual fund.

During the last decade, Phoenix has set up 14 plans for more than 10,000 investors with a total stake of \$100 million. Phoenix asserts that the investor receives four benefits, according to Martin J. Held, national marketing manager for the general partner. "The investor gets above-average cash distributions — paid quarterly at a rate of 14 percent of the invested dollar after commissions during the first year."

But the lease income to the part-

Leasing Format Unlocks Capital

nership itself is actually twice as much — 28 percent of invested capital. Does this mean that the user of the equipment is paying 28 percent annually? "No," Mr. Held said. "The user is probably paying 20 percent or so — a lease charge keyed to the prime rate. But the return on our cost is higher because we buy the equipment from the manufacturer at a discounted or wholesale rate."

Reinvestment

Mr. Held added: "The money that we do not forward to the limited partners is reinvested in additional property. As a result, the investor's lease portfolio grows at a 14-percent compounded rate. This results in annual increases of cash distributions on the ever-larger leasing base. The portfolio assets double during the first six years and thus provide an inflation hedge. The investor also gets six years of investment tax credit that slightly reduce his taxes on the annual income."

"We also have a liquidity feature that we believe to be unique. That is, the investor who must liquidate can sell the units back to the partnership for book value." He acknowledged that this would result in a penalty during the first year and a half to two years of the 15-year plans as a result of the up-front underwriting fee of 8 1/2 percent. The fee is similar to the sales charges imposed by most mutual funds. Until this sum is recovered through appreciation, the investor would receive less than he put in on liquidation.

Mr. Held described a further option, called the Capital Accumulation Plan. He said that, if an investor left all cash distributions in the fund, portfolio assets would compound at a rate above 20 percent a year. With this option, the portfolio would quadruple over six years, he added. Cash distributions on this option begin in the seventh year and, Mr. Held said, would generate "more than 480-percent net return" during the following six years.

Asked to explain the risks, Mr. Held said that typically the risk in the leasing business was obsolescence, particularly in high technol-

ogy. "It is entirely possible that some of our equipment could be outdated by newer technology," he said, "but we try to limit our purchases to equipment that can be upgraded in the field to reflect advancing technology."

Nevertheless, computer leasing plans in years past have experienced marked setbacks as a result of obsolescence, and there is no guarantee that this will not happen again.

Phoenix is not the only company in the field: American Leasing Investors, an offering of Integrated Resources, a financial services company based in Denver, offers limited partnerships to individuals to such widely leased equipment as cargo containers, airplanes and office equipment.

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Lake Hartwell, Georgia

This wooded 442-acre property on the shores of one of the cleanest recreational lakes in the South, provides excellent fishing and water sports. The property offers an ideal opportunity for fine resort and residential estate development. With 2 superb residences, it would also be ideal as a secluded private retreat. Just 2 hours from Atlanta. \$1,500,000. Brochure #IHT 27-01.

Tidewater, Virginia

Probably the largest landholding ever offered in this region of Virginia, this 4,300-acre farm boasts superb road and river frontage, profitable corn, soybean and wheat cropland, and mature, marketable timber, it is clearly an outstanding long-term land investment and an excellent immediate agricultural development opportunity. 85 miles south of Washington, D.C. \$6,750,000. Brochure #IHT 2-30.

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On 365 lush tropical acres, just north of Antigua, this ideally private island boasts an expansive residential complex including the original plantation mansion, completely renovated. With wonderful white sand beaches, reef-protected waters and deep harbors, it is ideal for use as a private or corporate retreat. \$4,450,000. Brochure #IHT 9-H.

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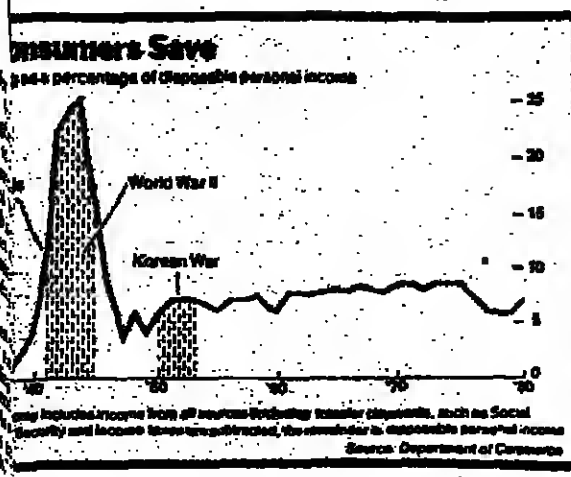
From its outstanding Park Avenue location, this 44-room penthouse duplex offers unparalleled panoramic opulence in the world's most exciting city. Featuring outstanding accommodations for family and guests, it also offers a wonderful gallery, theatre/projection room, billiard room and cocktail bar, steam room, gym and sauna. \$10,600,000. Brochure #IHT 1-97.

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New Mexico

Truly a romantic hideaway, this farm is comprised of 813 acres at the foothills of the Sangre de Cristo Mountains. With an easily-maintained 9-room adobe residence of exquisite craftsmanship and use of indigenous materials. While geared to horse breeding, it is also close to some of the finest ski resorts in the U.S., and is ideal as a private retreat. 80 additional acres available for separate purchase. 48 miles north of Santa Fe. \$1,300,000 (main ranch) \$ 300,000 (separate tract) Brochure #IHT 26-02.



Grace: An Old Hand Doing Business Abroad

(Continued from Page 125)

1977 million. It was the first year of higher income in the natural resources sector, which had been \$250 million by 1977.

Produced 10.8 million barrels of oil equivalents in 1980, a 10 percent increase over 1979. The company's production in 1979 and 1980 was \$1.8 billion and \$1.9 billion, respectively.

Chemicals, Grace's big business in 1980, had \$1.9 billion in operating earnings, or 37 percent of sales of \$5.1 billion. The company is projected by the industry to reach \$3.5 billion, about 14 percent yearly for the last 15 years.

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chemical intermedi-

in good or bad times,

these specialty chemi-

cal products division

the White House,

subway system, and

commuter tunnel. In

a concrete admirer

will be used in building the Revelstoke Dam, one of the largest in the world. A Grace-owned subsidiary in England last year supplied the gearing pads that lined the tunnel under the Suez Canal. The Tunnel Pak bearing pads are being tested by European engineers for the proposed Channel tunnel between England and France.

The agricultural chemical business led all other company groups last year with profits climbing to \$85.2 million from \$33.1 million in 1979. Another strong year is expected in 1981, company officials state. Excess cash generated by this business is being used in part to finance an expansion of Grace's phosphate fertilizer capacity. The plan calls for a \$4-million-to-\$5-million joint venture in phosphate rock with the International Minerals & Chemical Corp., a phosphoric acid plant jointly owned with the U.S. Steel Corp. and a Grace-owned diammonium phosphate plant.

Despite uncertainties about weather conditions, Mr. Grace said that he expected fertilizer shipments to increase to more than 6 million product tons this year. An indication of the company's prospects for agricultural chemicals this year is the \$70 million of capital expenditures budgeted, against the \$27 million spent in 1980.

The bottom line — for the shareholder at least — is that the dividend rate has advanced for the seventh consecutive year, to \$2.30 a share from \$2.05 in the prior year.

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Top of the Pan Am Building— New York's most dramatic view.



This is the view looking north from the top two floors of the Pan Am building in midtown Manhattan. The two floors, the 57th and 58th, with approximately 15,000 sq. ft., are available for immediate occupancy. For complete details, please call: Thomas Sheehan, President, Metropolitan Realty Management, Inc., at (212) 986-2100.

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Wide Range of Investments Lures Foreigners

NEW YORK — The dollar might be strong again, but that is not discouraging foreign investors from putting their money into U.S. equities, real estate, manufacturing enterprises, wholesale and retail trade, insurance and petroleum companies.

Although it was a weakened dollar that initially encouraged foreign investment, investors seek other things in the United States as well: economic and political stability, a vital market, official encouragement of foreign investment.

Although the U.S. government has a neutral policy toward foreign investment, it has a positive attitude, encouraging firms already committed to investing in the United States to participate in federal, state and local incentive programs. Many state governments, however, actively pursue foreign investment, with offices at home and abroad that relay information about a wide variety of government loans, grants and tax incentives.

"The U.S. is the preferred country for investment by West German business," said an official of the West German Consulate in New York, noting that 27.6 percent of West German foreign investment went to the United States in 1980, while 26 percent went to all other developed countries.

Investment Figures

Last year, West German business invested 3.4 billion Deutsche marks (about \$1.5 billion at the current exchange rate) in the United States, bringing the cumulative West German investment since 1952 — when the figures were first compiled — to 15.7 billion Deutsche marks (about \$6.8 billion). Total West German investment abroad during this period was 74.2 billion Deutsche marks

(about \$32.4 billion), according to West German statistics.

The United States is also Japan's most important overseas investment market. According to the Japanese Trade Center in New York, 23.2 percent of Japanese investment abroad goes to the United States. The next most important countries are Indonesia with 12.2 percent, Brazil with 8.6 percent and Australia with 5.5 percent of Japanese investment abroad.

After investments of more than \$1 billion in the United States last year, cumulative Japanese investment in the United States from 1951 to March, 1980, reached \$7.4 billion, while cumulative investment abroad during this time was \$31.8 billion, according to Japanese statistics. The reasons for this rise, an economist at the Japanese Trade Center said, are the increasingly strong yen compared to the dollar, an attractive consumer market — the largest in the world — the political and economic stability of the United States, and U.S. encouragement of foreign investment.

David Bauer, an economist at the Conference Board, a U.S. business organization, said that, before the 1970s, there was relatively little direct foreign investment in the United States. Companies preferred to export. "But as wage rates abroad grew more rapidly than in the U.S. and as foreign exports to the U.S. grew — giving the U.S. a trade deficit which caused foreign companies to fear higher tariffs and quotas — direct investment increased. With the devaluation of the dollar in 1971, many foreigners found it cheaper to build or acquire companies in the U.S. They also found they could service U.S. clients better if they had plants here."

'Major Force'

An official at the British Trade and Development Office in New York said: "There has been a tremendous upsurge in British investment here in the past few years. People recognize the U.S. as the major economic force in the world, and it would be foolish if they didn't come. The growing strength of the pound has also helped."

According to the U.S. Department of Commerce, the equity value of British business in the United States in 1979 (the latest year for which data is available) was \$9.4 billion. In 1978, it was \$5.4 billion.

In 1979, the Commerce Department reported that more than half of foreign investment in the United States went into stocks and bonds. The rest went into the manufacturing sector (\$20 billion), wholesale and retail trade (\$11 billion), petroleum (\$9.9 billion), finance (\$3.7 billion), insurance

(\$3.4 billion) and real estate (\$1.6 billion).

According to the Securities Industry Association, both gross activity and net purchases by foreign investors of U.S. equities reached record highs last year. Gross activity climbed from \$3.7 billion in 1979 to \$7.5 billion in 1980, and net purchases in 1980 reached \$5.2 billion, topping the record of \$4.7 billion in 1975.

High Interest Rates

Most of the strength of last year's activity occurred during the first and fourth quarters, when U.S. interest rates were rising to records. According to a Securities Industry Association report, the most dramatic increases in activity from 1979 to 1980 were recorded by Canada (83 percent), Bermuda and the Netherlands Antilles (55 percent), oil-exporting Arab countries (56 percent) and Switzerland and Britain (82 percent).

Among the reasons for these increases, according to the Securities Industry Association, are the following:

• A depressed economy with high unemployment, high inflation and a negative gross national product, coupled with high interest rates and government polarization over how to deal with the economy, have prompted British investors to seek foreign outlets for investment funds. The phasing out of government restrictions on foreign investment in 1970 also encouraged this investment.

• While Swiss investors have been net sellers of U.S. equities in recent years, the easing of upward pressure on the franc allowed for economic growth in 1980 with increasing exports and low interest rates, thus encouraging Swiss investors to seek the high returns available in dollar-denominated assets.

• The Canadian government's plan to impose new taxes on oil and gas companies may have prompted many Canadian investors to turn to energy-related issues of U.S. companies, thus boosting an already high interest in U.S. equities.

• The growing surplus of the oil-exporting Arab countries may have prompted a less conservative approach to money management, toward equity and equity-related investments and away from their normal short-term investments.

About 30 percent of OPEC Arab money in the United States is invested by governments rather than individuals, in government securities and bonds and short-term deposits, said William Hanna, president of the Petra Capital Corp., the first Arab investment bank in the United States, soon to be the first Arab member of the New York Stock Exchange.

The reason, he said, is that the

OPEC Arab investors like liquid investments because they can get in and out of them quickly. They also like passive investments.

He noted, however, that Arab investors feel less comfortable making direct corporate investments in the United States than elsewhere. This is due to certain regulations seen as burdensome but also to the fact that, "like the Japanese a few years ago, they are being characterized here as the 'ugly investor.' And the Arabs don't want to invest where they are not welcome," he said. The OPEC Arabs feel comfortable investing in U.S. real estate, banks and hotels because they have more experience in those areas, Mr. Hanna said.

Although much has been made of Arab investment in the United States, with fears of Arab takeovers of such companies as General Motors, the Arabs actually invest very little in U.S. manufacturing sectors, Mr. Bauer of the Conference Board said. According to the Department of Commerce report of 1979, foreigners invested about \$20 billion in U.S. manufacturing, one-third in chemicals, 17 percent in machinery and 15 percent in metals. OPEC Arabs invested only about \$52 million in the U.S. manufacturing sector. The

leading foreign investors from Canada, the Netherlands, Britain, West Germany and Japan.

Foreign investment in manufacturing sector has increased in recent years. Mr. Bauer said, that the number of new plants has increased from 161 in 1978 to 187 last year. Many smaller intermediate-size foreign companies have been establishing plants in recent years, he said.

Among some of the major plant construction investments, however, have been Nissan's \$100 million investment in a 2,200-employee truck assembly plant in Tennessee; BASF of West Germany's \$120 million investment in chemical products plant in Ohio; and Volkswagen's \$100 million investment in Michigan.

Last year, about 90 new plants were completed by foreign companies in the United States, about 150 U.S. plants were completed. About half of the new plants cost less than \$10 million each, Tom Pierpoint, who heads investment in U.S. program at the National Trade Administration, the Department of Commerce.

—LINDA BER

Old Bonds Live Anew

(Continued from Page 75)

one of 80 known share certificates issued about 1900 by the Fokien Ho-hu trading company in China. It was beautifully decorated with pictures of a Chinese landscape and kept in a special leather wallet.

Like other shares put up for sale, it was carried in a plastic folder around the crowded auction room in the luxurious George V Hotel by a blonde in white shorts as the bidding edged up to 12,500 francs (about \$2,500), paid by Mr. Martin. He expects to sell this rarity to an American collector.

Pirate Ship

An 18th-century share certificate issued by a Barcelona company was then knocked down for \$2,200. One of only four known shares in an early 19th-century French corsair, or government-licensed private pirate ship permitted to prey on foreign vessels, went for \$1,000.

Shares signed by Thomas Edison fetched \$250 and there is heavy demand for the original Standard Oil Co. shares that bear John D. Rockefeller's signature.

"Last month, Exxon's German subsidiary asked me to try to find one to hang in their boardroom," said Hans-Georg Glasmann, of the small Frankfurt banking house.

of Georg Hauck and Sohn, claims to be the first bank to set up a special department to advise clients on scrip collection.

West Germans, Swiss Americans are said to be the ardent scrippophiles, and the sets in those countries the organized. But the habit of collecting old shares and bond certificates is spreading. The first public sale in the United States, organized by R.M. Smythe & Co., took place in New York last year, while the French auction was in December, 1979.

Dealers and collectors have many explanations for the growing interest. "Old things are valuable and after picture postcards were just about the last old thing that people hadn't started collecting," Mr. de St-Hippolyte says. Others stress the intrinsic value of many of these certificates, their historical associations.

But part of the charm of that, in today's computerized world, when a stockbroker's investment is the only tangible most investors have of what's their own, these big, crisp shares, heavy paper, covered with engraving, are a reminder of stocks and bonds still actual, even if their owners sold them.

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BUSINESS NEWS BRIEFS

Benz Expects Slower Turnover Rate

Mercedes-Benz does not expect the rate of growth in group turnover to equal the 11-percent rise to \$3 billion seen in the first quarter of 1981, managing board Chairman Fritz said Thursday.

The world group turnover for the first three months of 1980 was \$2.5 billion, but added that 1981 parent company should show a larger increase than the 3.2-percent rise to \$2.6 billion in the first four months.

Mercedes-Benz announced world group 1980 net profit of 1.1 billion DM (693 million in 1979). Mr. Fritz said the company is aiming for a 2 billion DM a year in domestic plant to improve quality and models and to produce the new W-201 car, due on the market at the beginning of 1983.

Vahl Reports Earnings Up Slightly

West Germany — Krupp Stahl earnings improved slightly in the first quarter of 1981, but it will be mid-year at the earliest before the company returns to the levels seen last year, managing board Chairman Goede said Thursday.

The group will have to raise prices considerably to make up for the loss in the first quarter. These amounts to an additional 10 percent in the first quarter of 1981.

Goede said that the company's earnings had improved but he noted that costs were climbing too, adding that a principle little changed from the final 1980 quarter.

Oil Glut Keeps Pressure on Margins

Shell said Thursday that margins remain under pressure because of continuing demand and a high level of world oil production. The company's oil production in the first quarter of 1981 was 2.3 million barrels a day, up from 2.2 million in the same period of 1980.

Shell said that a greater degree of rationality in price differences between different crudes may emerge from competition brought on by the glut.

Production at Pennsylvania Plant

Volkswagen will stop production for a week from June 1 to June 5 because of a strike at its Westmoreland, Pa., plant, a spokesman said Thursday. He said that after June 8, the plant will be cut to 900 cars from the present 1,040 for an estimated and the 5,700-person work force will be reduced by 1,000.

German blamed the slump in the U.S. car market and said the plant would return to full output. The plant produces Volkswagen Rabbits and pickup trucks.

In the first quarter of this year, sales of VW's subsidiary fell 5.2 percent compared with a year ago, the spokesman said. He said sales also were down in April compared with a year ago but he expects business will pick up in the second half and sales target of 330,000 cars.

Nigeria Said to Have Cut Output 20% This Year

Nigeria has cut its oil production by at least 20 percent, according to Western sources, said Wednesday. Production had fallen to 1.6 million a day from about 2 million at the beginning of the year.

Intelligence Weekly, a U.S. oil industry publication, said Monday that Nigeria had cut production to 1.6 million a day because of a shortage of spare parts for the high-pressure pumps used in the offshore fields.

Opposes Limitation on Cars

U.S. trade representative William E. Brock, starting his European tour, came to London to oppose any action by the European Economic Community to limit imports of automobiles.

Mr. Brock said that the U.S. trade representative is opposing any action by the EEC to limit imports of automobiles.

Libreville, Gabon —

Finance officials from the major industrial powers and their counterparts among developing nations met Thursday in Libreville, Gabon, to discuss the global effect of strict monetarist policies in the fight against inflation.

Officials of the "Group of 10" major industrial countries, meeting here the day before a session of the International Monetary Fund, said their pursuit of anti-inflationary policies is beginning to bear fruit and that these policies should be continued.

Tokyo Market Makes Biggest Gain in Year

Tokyo — The market average on the Tokyo Stock Exchange gained 116.19 points Thursday, its biggest daily gain in 12 months, to close at 7,487.46 on widespread bargain hunting, dealers said.

After Wednesday's fall of 187.88 points, due mainly to political uncertainty surrounding the Suzuki administration, the average recovered 107.26 Wednesday and rallied further Thursday, encouraged by the return of active foreign buying, the dealers said.


CURRENCY RATES

| Change rates for May 21, 1981, excluding bank service charges. | | | | | | | | | |
|--|----------|---------|---------|----------|--------|--------|--------|--------|-------|
| | U.S. | DM | P.F. | Sw. | Gdr. | B.F. | G.F. | D.C. | |
| 75 | 5.56 | 13.13 | 1.95 | 3.254 | 14.01 | 4.504 | 12.50 | 35.36 | |
| 76 | 78.22 | 14.298 | 4.745 | 3.259 | 94.48 | 6.322 | 112.34 | 51.75 | |
| 77 | | | 4.585 | 3.218 | 10.01 | 6.928 | 112.34 | 19.93 | |
| 78 | | | 4.801 | 3.258 | 15.03 | 4.298 | 155.01 | 158.00 | |
| 79 | 2,260.00 | 877.50 | 11.593 | 2,208.03 | 465.77 | 30.413 | 554.01 | 158.00 | |
| 80 | 3.015 | | 8.1757 | 0.057 | 8.3718 | 0.2654 | 48.89 | 01.925 | |
| 81 | 25.00 | 246.92 | | | 4.875 | 34.748 | 14.003 | 276.75 | 78.22 |
| 82 | 4.284 | 39.3145 | 39.5802 | 6.1769 | 311.98 | 1.1237 | 24.378 | 237.59 | 7.974 |

Tables include the nationwide prices up to the closing on Wall Street.

[illegible]

It's in the nature of most investors the urge to sell comes when stocks are ready to emerge from a storm of liquid. When prices rise, they climb back in market. The key to profits lies in capital on the weakness of those who fail to that the simple object is to buy values.

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MAY 21, 1981

| COMPANY | INDUS. | 1980-81 HIGH-LOW | CLOS. PRICE May 21 | HIGH-LOW NOV.-JAN. | P/E | Y YIELD (%) | SALES, PRE. YEAR, '77, '74, '73 | SHARES, OUTST. | LASTEST COMPANY NEWS |
|-----------------------|------------|-----------------------------|--------------------------|-----------------------|-----|-------------------|------------------------------------|-------------------|---|
| BOUYGUES | Construct. | 985 . 412 | 687 | 720 . 682 | 10 | 4.6 | 33.40c - 53.30c - 70.05c | 1,500 | Gc. to 163.74 BLF. vs. 5.5 BLF. in '76. CNY. W/ 151.3 MFL. vs. 102.3 MFL. in '75. |
| CREDIT COM. DE FRANCE | Bank | 214.80 - 125.80 | 143 | 156 . 148 | 7 | 9.9 | 15.90c - 17.55c - 19.27c | 6,197 | Net earnings for 1980 were 127,515A against 86,575A in 1979. |
| ELF - AQUITAINE | Petrol | 1555 . 445 | 762 | 775 . 763 | 3 | 6.7 | 97.00c - 83.00c - 307.00c | 18,127 | The General Assembly met on May 21, reporting the closing of a new dividend. |
| EURAFRANCE | Holding | 399 . 233 | 234.10 | 242 . 233 | 2 | 6.2 | 69.50c - 81.60c - 99.50c | 2,193 | Current net profit represents F. 26.56 against F. 22.40, an increase of 19%. |
| IMETAL | Mining | 119 . 32 | 79.50 | 76.50 - 75 | 16 | 8.1 | 4.73 - 4.55 - 5.07 | 7,944 | The net dividend will be raised from to F. 4.60 representing an increase of 10%. |
| MATRA | Electronic | 10500 - 4999 2550 . 1250 | 1289 | 1421 - 1250 | 8 | 2.3 | 337.70 - 580 - 649.30 | 1,218 | Reorganization of watchmaking operations for legal sale to cooperate with Heilmann. |
| OREAL (L') | Cosmetics | 729 . 590 | 635 | 615 - 600 | 8 | 3.0 | 19.11c - 14.80c - 74.95c | 3,940 | The established turnover for Oreal for 1980 was 4,500 billion F. in 80 vs. 4,391 billion F. in 79. |
| LA REDOUTE | Mail order | 630 . 414 | 552 | 535 . 530 | 11 | 4.2 | 44.23c - 41.73c - 49.23c | 936 | Forecast for 1980: Consolidated sales of 1,000 billion F. |

TO INCLUDE YOUR COMPANY IN THIS LISTING - CONTACT MYLENE OFFENSTADT I.H.T. PARIS 7-7-12-99

ers See in Aid Poland

from Page 1)

was the \$90 million notes that Bank sold in the Euro and the so-called "IOUs" of finance houses, individuals.

Individuals "don't fit category," said a to the discussions, early to say whether should be considered "in the rescheduling" in the rescheduling the gun to even a preliminary

bankers complain dragging of U.S. march for an overall view the Americans firm. The U.S. not moving with new York banker after for attribution. He firm leadership to U.S. lenders into accomplished, without "a lot of egos are

bankers insist that suit to simply nego- agreement with 19-bank task force and by the banks to framework and this split into two. One group is detailed terms of while the second is in the economic cri- and will be expected how these can be sure compliance.

would normally be national Monetary Poland is not a mon- situation — the first seek a rescheduling having to feel their shing the conditions and's debt that comes ing years could also be rescheduled.

insist that they are economic criteria can set by Poland in with creditor govern-

C Steel Watch — The EEC Com- increase its regular ies after June, when a rise increase comes commission sources y. They said the com- id check with con- that they are being al company prices.

Forecasts on West Germany's Economy Range From 'Mixed' to 'Deteriorating'

By John M. Geddes

AP Wire Service

BONN — West Germany's economic recession is proving to be stubborn.

Some of the indices aren't at all bad; they are showing a better performance than at the end of last year, said Helmut Schlesinger, vice president of the Bundesbank. "But the picture is still under-standably quite mixed."

The indices that do not look good happen to include almost all the major economic indicators. Industrial production fell 4.5 percent in March from February. Inflation accelerated in April to 5.6 percent on an annual basis, from March's 5.5 percent. The deficit in the current account does not seem to have narrowed from last year, when it was equivalent to \$12.17 billion at the Deutsche mark's current rate.

Only unemployment appears to be improving, falling to 4.9 percent of the work force in April from 5.2 percent in March. But even that figure is not particularly hopeful when one observes that the number of jobs available that month had de-creased 23 percent from the year earlier to the low-est April level since 1959.

Other indicators are a matter of dispute. Mr. Schlesinger, for one, contends that gross national product, made real, or inflation-adjusted, growth in the first quarter from the last quarter of 1980. But others disagree.

"I don't know where he got those figures," said Gerhard Riedel, chief economist at BHF-Bank. "I can't find such evidence anywhere."

Less Sanguine

Trinkaus & Burkhart, a Düsseldorf bank, is even less sanguine, noting in a recent report that, after a 0.5-percent fall in GNP in the last quarter of 1980 from a year earlier, "the comparative fig-ure for the first quarter of this year... will show a marked deterioration."

Besides differing on the current situation, the experts also disagree about the future — just when the upturn will come, the effects of possible fore-ign exchange fluctuations and the impact that any stimulus program applied by the new French government might have on West Germany.

The government of Chancellor Helmut Schmidt clings to its position that a classical stimulus pro-gram, involving tax cuts and government spend-ing, cannot solve current problems and can only exacerbate long-term difficulties. The chancellor has said that the origins of the downturn, includ-ing higher oil prices and lagging West German competitiveness, rule out any short-term aid.

Bonn's plan is to provide about \$2.74 billion to

small business at an effective 9.5-percent interest rate for energy-saving investments. Despite its ad-vantages, the plan has had mixed reviews from industry.

The one thing on which business and govern-ment are united is their negative judgment of the effects of the Bundesbank's tight-money policies. The bank, whose interest rates are at a postwar high, has argued that it needs to hold interest rates above 12 percent to help offset the Deutsche mark's weakness, which is thought to derive partly from the fact that high U.S. interest rates are drawing funds out of marks and into dollars.

The mark has dropped about 15 percent against the dollar since the beginning of the year. The weaker mark, in turn, increases the mark cost of dollar-denominated imports, thus feeding infla-tion. It also contributes to West Germany's cur-rent account deficit.

But the currency's weakness makes West Ger-man goods more price-competitive overseas. Mr. Schlesinger calls this export advantage "the chief support" of hopes that the economy will rebound this year. While domestic orders for West Ger-man manufactured goods have stagnated this year, or-ders received from abroad have climbed — rising 6 percent in February and March from the previ-ous two months.

Predictably Skeptical

Some experts are predictably skeptical. They believe that foreign orders may fail to sustain their recent gains and to prod an economic recov-ery. "It would be wrong to assume here and now that the economy can look forward to a substan-tial impetus from exports," reported Com-merzbank, citing recessions in major overseas markets.

Over the longer term, export changes will be affected by the competitiveness of West Ger-man wages. Although the unions settled this year for a relatively small average rise of 5.3 percent, some contend that further steps must be taken to re-strain labor costs.

The plan of France's new government to stimu-late its economy is another worry. Some West German officials fear that such a program would mean higher inflation in France that would spill over into West Germany.

With such concerns, it is not surprising that a recent poll of businessmen by Munich's IFO insti-tute showed dampened hopes for the next year or so. And another economic survey sounded a note only slightly more positive: "There is a shimmer of hope in the economy, that the recession is not going to get any worse."

2 More Australian Banks Plan Merger

Reuters

SYDNEY — The second big merger of Australian banks in a week was announced Thursday. The National Bank of Australasia and the Commercial Banking Company of Sydney said they had agreed to join in a deal that will cost National almost 450 million Australian dollars (about \$313 mil-lion).

In the highest merger in Aus-tralian corporate history, announced a week ago, the Bank of New South Wales and Commercial

Bank of Australia agreed to join forces in a deal costing the former 700 million Australian dollars.

Sonatrach Negotiations

The Associated Press

ALGIERS — Warren M. Chris-topher, former U.S. deputy sec-etary of state, acting for three U.S. gas companies, arrived in Al-giers on Thursday for negotiations on independent contracts with offi-cials of Sonatrach, the Algerian state oil and gas corporation.

Both mergers are subject to ap-proval by the Australian govern-ment, which is thought unlikely to block them, according to financial sources. If the mergers go through, the number of Australian private banks will be reduced from five to three.

The moves are aimed at forming new banking groups with the ca-pacity to raise the capital needed to fund Australia's resources boom and fight off challenges from big foreign banks for benefits from that boom.

Belgians Plan Bond Issue To Bridge Budget Deficit

The Associated Press

BRUSSELS — Belgium will issue "crisis" domestic bonds next month to help finance the nation's widening budget deficit, which now amounts to about 150 billion Belgian francs (\$4 billion), the government announced Thursday.

The issue, open to both individ-ual and institutional investors, was designed by Premier Mark Eysk-ens, who proposed the idea in March when he was finance min-ister. It was not announced how much the government expects to raise, but officials have said in re-cent weeks anything under 60 bil-lion Belgian francs would be a "disappointment."

A government official said the issue will involve two operations and in both cases the government will offer an annual interest rate of 13 percent.

One is aimed at private investors and will be due in 10 years. The interest will be tax free except for the automatic 20 percent withhold-

ing tax, which is mandatory under Belgian law.

The second, due in seven years, is designed for institutional investors. It will also yield 13 percent but only 5 percent of the interest will be exempt from business tax-es. Institutional investors will not be subject to the 20 percent with-holding tax.

The withholding tax — institu-ted in the early 1960s — has driven much money out of Belgium to neighboring Luxembourg and the Netherlands where the yields are higher.

The government spokesman said the government will offer a unique exchange-rate guarantee expressed in ECU's, the basket currency of the European Monetary System.

The government hopes that the link to the ECU will encourage Belgian investors to repatriate some of the huge pool of capital they have placed in foreign banks, partly out of fear of a depreciation of the Belgian franc, the spokes-man said.

COMPANY REPORTS

Revenue and profits, in millions, are in local currencies unless otherwise indicated

| Britain | | | | United States | | | |
|--------------------------|--------|--------|--------|---|--------|--------|--------|
| Associated Engineering | | | | Carter Hawley Hale Stores | | | |
| 4 Months | 1981 | 1980 | 1979 | 1st Quarter | 1981 | 1980 | 1979 |
| Revenue | 209.6 | 224.9 | 204.2 | Revenue | 601.2 | 594 | 613 |
| Profits | 2.2* | 7.1 | 6.15 | Profits | 6.15 | 6.13 | 6.13 |
| * - Loss figure. | | | | Per Share | | | |
| | | | | 0.21 | | | |
| Röynt Dutch/Shell | | | | Cannell Soap | | | |
| 1st Quarter | 1981 | 1980 | 1979 | 3rd Quarter | 1981 | 1980 | 1979 |
| Revenue | 10,510 | 10,200 | 704.0 | Revenue | 704.0 | 624.4 | 624.4 |
| Profits | 322.0 | 716.0 | 29.7 | Profits | 29.7 | 33.9 | 33.9 |
| | | | | Per Share | | | |
| | | | | 0.72 | | | |
| Canada | | | | International Harvester | | | |
| 4th Quarter | 1980 | 1979 | 1978 | 2nd Quarter | 1981 | 1980 | 1979 |
| Revenue | 415.9 | 299.4 | 299.4 | Revenue | 2,120 | 1,890 | 1,890 |
| Profits | 24.72 | 17.17 | 17.17 | Profits | 79.1* | 226.8* | 226.8* |
| | | | | | | | |
| Year | 1980 | 1979 | 1978 | | | | |
| Revenue | 1,420 | 1,150 | 1,150 | | | | |
| Profits | 89.25 | 68.22 | 68.22 | | | | |
| France | | | | West Germany | | | |
| Automobiles Peugeot | | | | Daimler-Benz | | | |
| Year | 1980 | 1979 | 1978 | Year | 1980 | 1979 | 1978 |
| Revenue | 964.9 | 267.0 | 267.0 | Revenue | 31,850 | 27,370 | 27,370 |
| Profits | 443.9 | 203.0 | 203.0 | Profits | 1,100 | 638.0 | 638.0 |
| * - Loss figure. | | | | | | | |
| Japan | | | | U.K. Employers Call For Import Controls | | | |
| Hitachi | | | | | | | |
| Year | 1980 | 1979 | 1978 | | | | |
| Revenue | 1,120 | 1,700 | 1,700 | | | | |
| Profits | 61,850 | 52,090 | 52,090 | | | | |
| Mitsubishi Electric | | | | | | | |
| Year | 1980 | 1979 | 1978 | | | | |
| Revenue | 1,220 | 1,070 | 1,070 | | | | |
| Profits | 23,100 | 23,100 | 23,100 | | | | |
| Toshiba | | | | | | | |
| Year | 1980 | 1979 | 1978 | | | | |
| Revenue | 1,550 | 1,430 | 1,430 | | | | |
| Profits | 44,240 | 41,840 | 41,840 | | | | |
| * - Figure in trillions. | | | | | | | |

C Steel Watch

Reuters

— The EEC Com- increase its regular ies after June, when a rise increase comes commission sources y. They said the com- id check with con- that they are being al company prices.

Belgo-Italian Commerce

Société Générale de Banque, Belgium's leading bank, strengthens its position in Milan



From left to right: Messrs. Paolo Grassi, Vice-Directore - Ermanno Galassi, Direttore - Claudio Chumaci, Direttore Generale - André Van Brussel, Condirettore - Jacques Cuvellier, Vice-Directore.

With more than 1,160 offices throughout Belgium and affiliates and subsidiaries around the world, Société Générale de Banque is perfectly placed to provide a comprehensive commercial and financial service.

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For full information, please con-tact: Société Générale de Banque, Corso di Porta Romana, 3 -

20122 Milano - Tel.: 8522 - Telex: 335333 genmil i.

Société Générale de Banque Generale Bankmaatschappij

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Société Générale de Banque International Division

Montagne du Parc, 3 1000 Brussels - Belgium

Tel.: 02/513.65.25 Telex: 22738 gtr b



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FEDERAL REPUBLIC OF NIGERIA ANAMBRA STATE WATER CORPORATION GREATER ONITSHA WATER SUPPLY SCHEME INVITATION FOR PREQUALIFICATIONS

The Anambra State Water Corporation invites firms from member countries of the International Bank for Reconstruction and Development (IBRD) and Switzerland to participate in the prequalification for the below mentioned contracts for the Greater Onitsha Water Supply Scheme.

The cost of the Greater Onitsha Water Supply Scheme will be partly financed by a loan in various currencies received by the Federal Government of Nigeria from the IBRD.

The work under the contract comprises—Low-Lift Pumping Station from Nkisi River, Treatment Plant, High-Lift Pumping Station and Rising Mains with a capacity of 45,000 c.u.m. per day, Booster Station with a capacity of 135 c.u.m. per hour, construction of 2 Reinforced Concrete Reservoirs 10,000 c.u.m. each, one Reinforced Concrete Reservoir 20,000 c.u.m., one Reinforced Concrete Reservoir 1,000 c.u.m., one Reinforced Concrete Reservoir 500 c.u.m. and Reinforced Concrete Elevated Tank 500 c.u.m., supply of pipes and accessories and laying of main pipelines and tertiary with a total length of about 250 km. from 50 to 600 mm. dia.

THIS INVITATION IS FOR PREQUALIFICATIONS OF THE FOLLOWING CONTRACTS:

- Contract No 1 — Nkisi Headworks Civil Engineering Works;
- Contract No 2 — Nkisi Headworks Supply and Erection of Treatment Plant;
- Contract No 3 — Nkisi Headworks Supply and Erection of Pumping Plant;
- Contract No 4 — Supply of Pipes and Accessories for Main Pipelines;
- Contract No 5 — Supply of Pipes and Accessories for Tertiary Pipelines;
- Contract No 6 — Laying of Main Pipelines;
- Contract No 7 — Laying of Tertiary Pipelines and Installation House Connections;
- Contract No 8 — Construction of Reservoirs.

THE PROGRAMME OF WORKS WILL BE AS FOLLOWS:

Tenders for Contracts Nos 1, 2, 3, 4 & 9 called August 1981 and awarded February, 1982

Tenders for Contracts Nos 7 & 8 called October 1981 and awarded April, 1982

APPLICATIONS FOR PREQUALIFICATIONS SHALL INCLUDE THE FOLLOWING INFORMATION:

- examples of similar work performed by the applicant including experience in developing countries;
- resources of the contractor, including plant, equipment and personnel;
- structure of the company, including names of parent, subsidiary and associated companies;
- Annual Reports and Balance Sheets for the last three years and References.

APPLICATIONS SHALL BE LODGED TO REACH:

The General Manager, Anambra State Water Corporation, Constitution Road, P.M.B. 1296, Enugu - Nigeria (Phone: 252654 Telex: 51161) Not later than 2nd June, 1981.

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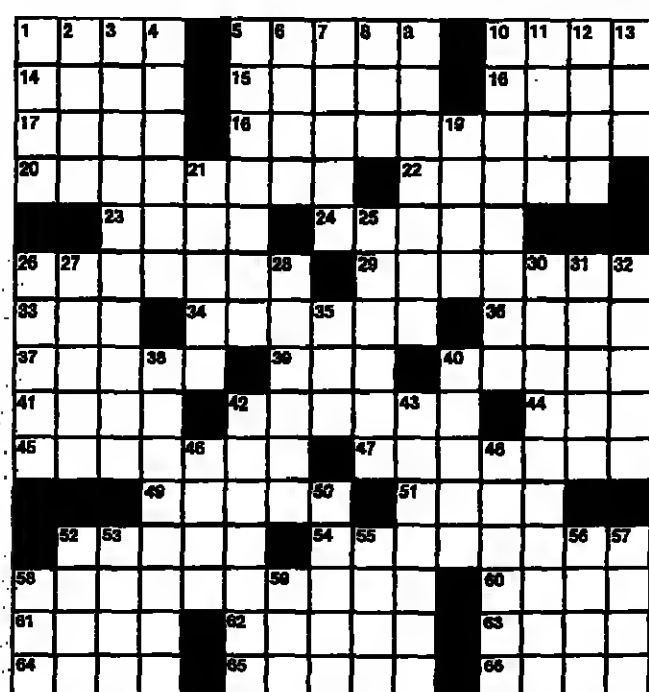
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CROSSWORD By Eugene T. Maleska



- ACROSS**
- Philosopher
 - Shite's religion
 - Social bore
 - Cupid
 - Genetic replica
 - Verdi masterpiece
 - Sleep like
 - What law is to justice
 - Guru's advice
 - Explanations of hideousness
 - Thyme, for one
 - Wet
 - "Open" Richard, 1947 song
 - Like a certain Tide in Alabama
 - "For" rope of sand could "Butler"
 - Sherwood's "Delight"
 - Cock-a-hoop
 - Havelock or Dock
 - 39 — bono?
 - Ryan or Tatum
 - 41 They grow as they go
- DOWN**
- 42 Brouhaha
 - 44 Type of trip
 - 45 Jim Thorpe was one
 - 47 Sparkle
 - 49 Win by
 - 51 "Ant for ant — long"
 - 52 The height of spite
 - 54 — the Americas, in N.Y.C.
 - 58 He orders those who take orders
 - 60 Shopping complex
 - 61 Gaelic
 - 62 Sanskrit's "The Sea"
 - 63 Mouse, to a skunk
 - 64 Spectator
 - 65 Adjective for a medium
 - 66 Portico for Plato
 - 1 Wrinkle
 - 2 One of the Johnsons
 - 3 Gesundheit
 - 4 Saw
 - 5 Crane of fiction
 - 6 Lover's part
 - 7 He stays apart from parties
 - 8 Part of etc.
 - 9 Years book: 1973
 - 10 Purveyor of "Jersey juice"
 - 11 Harass
 - 12 Relative of none
 - 13 Result, with "out"
 - 19 Fire god
 - 21 Meneage a
 - 25 What Cotton cottons to
 - 26 Greek letter
 - 27 Serf, originally a Laconian
 - 28 Wealth
 - 30 Kind of labor contract
 - 31 Tempest or organ stop
 - 32 Silk substitute
 - 33 Parisian assent
 - 38 Atoll resident
 - 40 Hunter on high
 - 42 Endure
 - 43 Senior citizens, with "the"
 - 46 Plenty, to a bard
 - 48 Baffles
 - 50 Devour
 - 52 Part of VHF
 - 53 Lesson, with "up"
 - 55 President over the U.S. Senate
 - 56 Spread
 - 57 "Go" kite!
 - 58 Half a Bray
 - 59 Novelist Levin

Solution to Previous Puzzle

DOWN: 1. WRINKLE, 2. ONE OF THE JOHNSONS, 3. GEHHEIT, 4. SAW, 5. CRANE OF FICTION, 6. LOVER'S PART, 7. HE STAYS APART FROM PARTIES, 8. PART OF ETC., 9. YEARS BOOK: 1973, 10. PURVEYOR OF "JERSEY JUICE", 11. HARASS, 12. RELATIVE OF NONE, 13. RESULT, WITH "OUT", 19. FIRE GOD, 21. MENEAGE A, 25. WHAT COTTON COTTONS TO, 26. GREEK LETTER, 27. SERF, ORIGINALLY A LACONIAN, 28. WEALTH, 30. KIND OF LABOR CONTRACT, 31. TEMPEST OR ORGAN STOP, 32. SILK SUBSTITUTE, 33. PARISIAN ASSENT, 38. ATOLL RESIDENT, 40. HUNTER ON HIGH, 42. ENDURE, 43. SENIOR CITIZENS, WITH "THE", 46. PLENTY, TO A BARD, 48. Baffles, 50. DEVOUR, 52. PART OF VHF, 53. LESSON, WITH "UP", 55. PRESIDENT OVER THE U.S. SENATE, 56. SPREAD, 57. "GO" KITE!, 58. HALF A BRAY, 59. NOVELIST LEVIN.

WEATHER

| | HIGH | LOW | | HIGH | LOW |
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| ALABAMA | 18 | 14 | 39 | FAIR | |
| ALASKA | 28 | 24 | 57 | FOGY | |
| ARIZONA | 18 | 14 | 39 | FAIR | |
| ARKANSAS | 27 | 23 | 57 | FAIR | |
| AUSTRALIA | — | — | — | — | — |
| BANGKOK | 22 | 18 | 34 | FAIR | |
| BELGIUM | 22 | 18 | 34 | FAIR | |
| BELGRADE | 22 | 18 | 34 | FAIR | |
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| Helsinki | 22 | 18 | 34 | FAIR | |
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| JOHANNESBURG | 22 | 18 | 34 | FAIR | |
| LAS VEGAS | 22 | 18 | 34 | FAIR | |
| LIMA | 22 | 18 | 34 | FAIR | |
| LONDON | 22 | 18 | 34 | FAIR | |

Readings from the previous 24 hours.

RADIO NEWSCASTS
VOICE OF AMERICA

The Voice of America broadcasts world news in English on the hour and at 28 minutes after the hour during various periods to different regions.

Suggested frequencies:

Western Europe: KHz 15.245, 7.225, 4.440, 5.925, 3.985, 1.777, 1.770, 1.760, 1.750, 1.740, 1.730, 1.720, 1.710, 1.700, 1.690, 1.680, 1.670, 1.660, 1.650, 1.640, 1.630, 1.620, 1.610, 1.600, 1.590, 1.580, 1.570, 1.560, 1.550, 1.540, 1.530, 1.520, 1.510, 1.500, 1.490, 1.480, 1.470, 1.460, 1.450, 1.440, 1.430, 1.420, 1.410, 1.400, 1.390, 1.380, 1.370, 1.360, 1.350, 1.340, 1.330, 1.320, 1.310, 1.300, 1.290, 1.280, 1.270, 1.260, 1.250, 1.240, 1.230, 1.220, 1.210, 1.200, 1.190, 1.180, 1.170, 1.160, 1.150, 1.140, 1.130, 1.120, 1.110, 1.100, 1.090, 1.080, 1.070, 1.060, 1.050, 1.040, 1.030, 1.020, 1.010, 1.000, 990, 980, 970, 960, 950, 940, 930, 920, 910, 900, 890, 880, 870, 860, 850, 840, 830, 820, 810, 800, 790, 780, 770, 760, 750, 740, 730, 720, 710, 700, 690, 680, 670, 660, 650, 640, 630, 620, 610, 600, 590, 580, 570, 560, 550, 540, 530, 520, 510, 500, 490, 480, 470, 460, 450, 440, 430, 420, 410, 400, 390, 380, 370, 360, 350, 340, 330, 320, 310, 300, 290, 280, 270, 260, 250, 240, 230, 220, 210, 200, 190, 180, 170, 160, 150, 140, 130, 120, 110, 100, 90, 80, 70, 60, 50, 40, 30, 20, 10, 0.

BBC WORLD SERVICE

Broadcasts of BBC World Service in English on the hour and at 28 minutes after the hour during various periods to different regions.

Suggested frequencies:

Western Europe: 485 KHz and 483 KHz Medium Wave, 5.975, 4.450, 7.130, 7.225, 1.610, 1.720, 1.295 and 1.500 KHz in the 49, 41, 31, 21 and 77 meter bands.

East Africa: 14.130 KHz and 27.230 KHz Medium Wave, 25.450, 21.440, 17.285, 15.490, 12.095, 11.095, 9.285, 7.730 and 6.850 KHz in the 11, 13, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100, 101, 102, 103, 104, 105, 106, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120, 121, 122, 123, 124, 125, 126, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 137, 138, 139, 140, 141, 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 159, 160, 161, 162, 163, 164, 165, 166, 167, 168, 169, 170, 171, 172, 173, 174, 175, 176, 177, 178, 179, 180, 181, 182, 183, 184, 185, 186, 187, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 198, 199, 200, 201, 202, 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1002, 1003, 1004, 1005, 1006, 1007, 1008, 1009, 1010, 1011, 1012, 1013, 1014, 1015, 1016, 1017, 1018, 1019, 1020, 1021, 1022, 1023, 1024, 1025, 1026, 1027, 1028, 1029, 1030, 1031, 1032, 1033, 1034, 1035, 1036, 1037, 1038, 1039, 1040, 1041, 1042, 1043, 1044, 1045, 1046, 1047, 1048, 1049, 1050, 1051, 1052, 1053, 1054, 1055, 1056, 1057, 1058, 1059, 1060, 1061, 1062, 1063, 1064, 1065, 1066, 1067, 1068, 1069, 1070, 1071, 1072, 1073, 1074, 1075, 1076, 1077, 1078, 1079, 1080, 1081, 1082, 1083, 1084, 1085, 1086, 1087, 1088, 1089, 1090, 1091, 1092, 1093, 1094, 1095, 1096, 1097, 1098, 1099, 1100, 1101, 1102, 1103, 1104, 1105, 1106, 1107, 1108, 1109, 1110, 1111, 1112, 1113, 1114, 1115, 1116, 1117, 1118, 1119, 1120, 1121, 1122, 1123, 1124, 1125, 1126, 1127, 1128, 1129, 1130, 1131, 1132, 1133, 1134, 1135, 1136, 1137, 1138, 1139, 1140, 1141, 1142, 1143, 1144, 1145, 1146, 1147, 1148, 1149, 1150, 1151, 1152, 1153, 1154, 1155, 1156, 1157, 1158, 1159, 1160, 1161, 1162, 1163, 1164, 1165, 1166, 1167, 1168, 1169, 1170, 1171, 1172, 1173, 1174, 1175, 1176, 1177, 1178, 1179, 1180, 1181, 1182, 1183, 1184, 1185, 1186, 1187, 1188, 1189, 1190, 1191, 1192, 1193, 1194, 1195, 1196, 1197, 1198, 1199, 1200, 1201, 1202, 1203, 1204, 1205, 1206, 1207, 1208, 1209, 1210, 1211, 1212, 1213, 1214, 1215, 1216, 1217, 1218, 1219, 1220, 1221, 1222, 1223, 1224, 1225, 1226, 1227, 1228, 1229, 1230, 1231, 1232, 1233, 1234, 1235, 1236, 1237, 1238, 1239, 1240, 1241, 1242, 1243, 1244, 1245, 1246, 1247, 1248, 1249, 1250, 1251, 1252, 1253, 1254, 1255, 1256, 1257, 1258, 1259, 1260, 1261, 1262, 1263, 1264, 1265, 1266, 1267, 1268, 1269, 1270, 1271, 1272, 1273, 1274, 1275, 1276, 1277, 1278, 1279, 1280, 1281, 1282, 1283, 1284, 1285, 1286, 1287, 1288, 1289, 1290, 1291, 1292, 1293, 1294, 1295, 1296, 1297, 1298, 1299, 1300, 1301, 1302, 1303, 1304, 1305, 1306, 1307, 1308, 1309, 1310, 1311, 1312, 1313, 1314, 1315, 1316, 1317, 1318, 1319, 1320, 1321, 1322, 1323, 1324, 1325, 1326, 1327, 1328, 1329, 1330, 1331, 1332, 1333, 1334, 1335, 1336, 1337, 1338, 1339, 1340, 1341, 1342, 1343, 1344, 1345, 1346, 1347, 1348, 1349, 1350, 1351, 1352, 1353, 1354, 1355, 1356, 1357, 1358, 1359, 1360, 1361, 1362, 1363, 1364, 1365, 1366, 1367, 1368, 1369, 1370, 1371, 1372, 1373, 1374, 1375, 1376, 1377, 1378, 1379, 1380, 1381, 1382, 1383, 1384, 1385, 1386, 1387, 1388, 1389, 1390, 1391, 1392, 1393, 1394, 1395, 1396, 1397, 1398, 1399, 1400, 1401, 1402, 1403, 1404, 1405, 1406, 1407, 1408, 1409, 1410, 1411, 1412, 1413, 1414, 1415, 1416, 1417, 1418, 1419, 1420, 1421, 1422, 1423, 1424, 1425, 1426, 1427, 1428, 1429, 1430, 1431, 1432, 1433, 1434, 1435, 1436, 1437, 1438, 1439, 1440, 1441, 1442, 1443, 1444, 1445, 1446, 1447, 1448, 1449, 1450, 1451, 1452, 1453, 1454, 1455, 1456, 1457, 1458, 1459, 1460, 1461, 1462, 1463, 1464, 1465,

Yankees Beat Indians, 3-1

By Dan Pridemore

Reviewed by Christopher

in Jackson and David

by Christopher

by Christopher

by Christopher

by Christopher

by Christopher

by Christopher

by Christopher

by Christopher

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BASEBALL ROUNDUP

off the wall in right-center. Bill Castro, the fourth Yankee pitcher, even his record at 1-1.

Red Sox 5, A's 3

In Boston, Rick Miller broke a tie with a two-run, two-out single in the seventh as the Red Sox beat the Athletics 5-3. Miller's ground single to right off Steve McCarty (4-4) gave Boston its 11th victory in 14 games. The A's have lost seven in a row and eight of nine on their current road swing.

White Sox 6, Blue Jays 5

In Toronto, Carlton Fisk went off the wall in right-center to break a tie in the eighth and lead the White Sox to a 6-5 victory over the Blue Jays.

Orioles 5, Angels 3

In Baltimore, the Orioles scored three runs in the second and went on to beat California, 5-3, for their eighth consecutive win.

Mets 4, Giants 3

In New York, the Mets' nine-game losing streak ended on Alex Trevino's sacrifice fly with the bases loaded in the 10th, handing the Giants a 4-3 defeat. Greg Minton (1-2) won his first game.

Reds 10, Cubs 7

In Chicago, Ray Knight hit his fourth home run of the year and later walked to lead off the ninth, leading the Reds to a 10-7 victory over the Cubs. It was the Reds' eighth straight win and Chicago's eighth straight defeat. Trailing by a run, the Reds

Line Scores

Yankees 3, Indians 1
 Yankees: 1-0, 2-0, 3-0, 4-0, 5-0, 6-0, 7-0, 8-0, 9-0.
 Indians: 0-0, 0-0, 0-0, 0-0, 0-0, 0-0, 0-0, 0-0, 0-0.

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Pirates 6, Braves 1

In Pittsburgh, Mike Easler had two home runs and a double, driving in four runs, and unbeaten Rick Rhoden pitched a 1-0 victory as the Pirates trounced Atlanta, 6-1. Following first-inning walks to Tim Lincecum and Jason Thompson, Easler hit one into the right-field seats off Bob Walk (1-3), striking Rhoden to a quick lead.

Astros 4, Cardinals 3

In St. Louis, Rafael Landestoy tripled home Alan Ashby with two out in the 11th, giving Houston's Joe Niekro a 4-3 win over the Cardinals. After Rhoden picked up his 11th victory as the Pirates trounced Atlanta, 6-1, following first-inning walks to Tim Lincecum and Jason Thompson, Easler hit one into the right-field seats off Bob Walk (1-3), striking Rhoden to a quick lead.

Expos 6, Padres 2

In San Diego, Andre Dawson hit a pair of bases-empty home runs to back the eight-hit pitching of Steve Rogers as Montreal beat the Padres, 6-2. Rogers (4-3) went the distance for the first time in nine starts this year.

Red Sox 5, A's 3

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